December 2013

Preliminary Terms No. 1,173
Registration Statement No. 333-178081
Dated December 2, 2013
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Morgan Stanley

STRUCTURED INVESTMENTS

Opportunities in U.S. Equities

Trigger PLUS Based on the Value of the S&P 500® Index due December 28, 2020

Trigger Performance Leveraged Upside Securities℠

Principal at Risk Securities

The Trigger PLUS are unsecured obligations of Morgan Stanley, will pay no interest, do not guarantee any return of principal at maturity and have the terms described in the accompanying product supplement for PLUS, index supplement and prospectus, as supplemented or modified by this document. At maturity, if the underlying index has **appreciated** in value, investors will receive the stated principal amount of their investment plus leveraged upside performance of the underlying index. If the underlying index **depreciates** in value but the final index value is greater than the trigger level, investors will receive the stated principal amount of their investment. However, if the underlying index has **depreciated** in value so that the final index value is less than or equal to the trigger level, investors will lose a significant portion or all of their investment, resulting in a 1% loss for every 1% decline in the index value over the term of the Trigger PLUS. This amount will be less than 60% of the stated principal amount and could be zero. Accordingly, you may lose your entire investment. These long-dated Trigger PLUS are for investors who seek an equity index-based return and who are willing to risk their principal and forgo current income in exchange for the upside leverage feature and the limited protection against loss but only if the final index value is greater than the trigger level. **Investors may lose their entire initial investment in the Trigger PLUS**. The Trigger PLUS are notes issued as part of Morgan Stanley's Series F Global Medium-Term Notes program.

All payments are subject to the credit risk of Morgan Stanley. If Morgan Stanley defaults on its obligations, you could lose some or all of your investment. These Trigger PLUS are not secured obligations and you will not have any security interest in, or otherwise have any access to, any underlying reference asset or assets.

SUMMARY TERMS			
Issuer:	Morgan Stanley		
Maturity date:	December 28, 2020		
Underlying index:	S&P 500® Index		
Aggregate principal amount:	$		
Payment at maturity:	If the final index value is *greater than* the initial index value: $1,000 + leveraged upside payment If the final index value is *less than or equal to* the initial index value but is *greater than* the trigger level: $1,000 If the final index value is *less than or equal to* the trigger level: $1,000 × index performance factor *This amount will be less than the stated principal amount of $1,000 and will represent a loss of at least 40%, and possibly all, of your investment.*		
Leveraged upside payment:	$1,000 × leverage factor × index percent increase		
Leverage factor:	150%		
Index percent increase:	(final index value – initial index value) / initial index value		
Index performance factor:	final index value / initial index value		
Initial index value:	, which is the index closing value on the pricing date		
Final index value:	The index closing value on the valuation date		
Trigger level:	, which is 60% of the initial index value		
Valuation date:	December 22, 2020, subject to adjustment for non-index business days and certain market disruption events		
Stated principal amount:	$1,000 per Trigger PLUS		
Issue price:	$1,000 per Trigger PLUS (see "Commissions and issue price" below)		
Pricing date:	December 20, 2013		
Original issue date:	December 26, 2013 (3 business days after the pricing date)		
CUSIP / ISIN:	61761JNA3 / US61761JNA33		
Listing:	The Trigger PLUS will not be listed on any securities exchange.		
Agent:	Morgan Stanley & Co. LLC ("MS & Co."), a wholly-owned subsidiary of Morgan Stanley. See "Supplemental information regarding plan of distribution; conflicts of interest."		
Estimated value on the pricing date:	Approximately $925.00 per Trigger PLUS, or within $30.00 of that estimate. See "Investment Summary" beginning on page 2.		
Commissions and issue price:	**Price to public(1)**	**Agent's commissions(2)**	**Proceeds to issuer(3)**
Per Trigger PLUS	$1,000	$	$
Total	$	$	$

(1) *The price to public for investors purchasing the Trigger PLUS in fee-based advisory accounts will be $970 per Trigger PLUS.*

(2) *Selected dealers and their financial advisors will collectively receive from the agent, MS & Co., a fixed sales commission of $ for each Trigger PLUS they sell; provided that dealers selling to investors purchasing the Trigger PLUS in fee-based advisory accounts will receive a sales commission of $ per Trigger PLUS. See "Supplemental information regarding plan of distribution; conflicts of interest." For additional information, see "Plan of Distribution (Conflicts of Interest)" in the accompanying product supplement for PLUS.*

(3) *See "Use of proceeds and hedging" on page 12.*

The Trigger PLUS involve risks not associated with an investment in ordinary debt securities. See "Risk Factors" beginning on page 6.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this document or the accompanying product supplement, index supplement and prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The Trigger PLUS are not bank deposits and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency, nor are they obligations of, or guaranteed by, a bank.

You should read this document together with the related product supplement, index supplement and prospectus, each of which can be accessed via the hyperlinks below. Please also see "Additional Information About the Trigger PLUS" at the end of this document.

Product Supplement for PLUS dated August 17, 2012 Index Supplement dated November 21, 2011

Prospectus dated November 21, 2011

Investment Summary

Trigger Performance Leveraged Upside Securities

Principal at Risk Securities

The Trigger PLUS Based on the Value of the S&P 500® Index due December 28, 2020 (the "Trigger PLUS") can be used:

- As an alternative to direct exposure to the underlying index that enhances returns for any positive performance of the underlying index
- To enhance returns and potentially outperform the underlying index in a bullish scenario with no limitation on the appreciation potential
- To provide limited protection against a loss of principal in the event of a decline of the underlying index as of the valuation date but only if the final index value **is greater than** the trigger level

Maturity:	Approximately 7 years
Leverage factor:	150%
Trigger level:	60% of the initial index value
Minimum payment at maturity:	None. You could lose your entire initial investment in the Trigger PLUS.
Interest:	None

The original issue price of each Trigger PLUS is $1,000. This price includes costs associated with issuing, selling, structuring and hedging the Trigger PLUS, which are borne by you, and, consequently, the estimated value of the Trigger PLUS on the pricing date will be less than $1,000. We estimate that the value of each Trigger PLUS on the pricing date will be approximately $925.00, or within $30.00 of that estimate. Our estimate of the value of the Trigger PLUS as determined on the pricing date will be set forth in the final pricing supplement.

What goes into the estimated value on the pricing date?

In valuing the Trigger PLUS on the pricing date, we take into account that the Trigger PLUS comprise both a debt component and a performance-based component linked to the underlying index. The estimated value of the Trigger PLUS is determined using our own pricing and valuation models, market inputs and assumptions relating to the underlying index, instruments based on the underlying index, volatility and other factors including current and expected interest rates, as well as an interest rate related to our secondary market credit spread, which is the implied interest rate at which our conventional fixed rate debt trades in the secondary market.

What determines the economic terms of the Trigger PLUS?

In determining the economic terms of the Trigger PLUS, including the leverage factor and the trigger level, we use an internal funding rate, which is likely to be lower than our secondary market credit spreads and therefore advantageous to us. If the issuing, selling, structuring and hedging costs borne by you were lower or if the internal funding rate were higher, one or more of the economic terms of the Trigger PLUS would be more favorable to you.

What is the relationship between the estimated value on the pricing date and the secondary market price of the Trigger PLUS?

The price at which MS & Co. purchases the Trigger PLUS in the secondary market, absent changes in market conditions, including those related to the underlying index, may vary from, and be lower than, the estimated value on the pricing date, because the secondary market price takes into account our secondary market credit spread as well as the bid-offer spread that MS & Co. would charge in a secondary market transaction of this type and other factors. However, because the costs associated with issuing, selling, structuring and hedging the Trigger PLUS are not fully deducted upon issuance, for a period of up to 12 months following the issue date, to the extent that MS & Co. may buy or sell the Trigger PLUS in the secondary market, absent changes in market conditions, including those related to the underlying index, and to our secondary market credit spreads, it would do so based on values higher than the estimated value. We expect that those higher values will also be reflected in your brokerage account statements.

MS & Co. may, but is not obligated to, make a market in the Trigger PLUS and, if it once chooses to make a market, may cease doing so at any time.

Key Investment Rationale

Trigger PLUS offer leveraged exposure to any positive performance of the underlying index. In exchange for the leverage feature, investors are exposed to the risk of loss of a significant portion or all of their investment due to the trigger feature. At maturity, an investor will receive an amount in cash based upon the closing value of the underlying index on the valuation date. The Trigger PLUS are unsecured obligations of Morgan Stanley, and all payments on the Trigger PLUS are subject to the credit risk of Morgan Stanley. **Investors may lose their entire initial investment in the Trigger PLUS.**

Leveraged Performance	The Trigger PLUS offer investors an opportunity to capture enhanced returns relative to a direct investment in the underlying index.
Trigger Feature	At maturity, even if the underlying index has declined over the term of the Trigger PLUS, you will receive your stated principal amount but only if the final index value is **greater than** the trigger level.
Upside Scenario	The final index value is greater than the initial index value and, at maturity, the Trigger PLUS redeem for the stated principal amount of $1,000 *plus* 150% of the increase in the value of the underlying index.
Par Scenario	The final index value is less than or equal to the initial index value but is greater than the trigger level. In this case, you receive the stated principal amount of $1,000 at maturity even though the underlying index has depreciated.
Downside Scenario	The final index value is less than or equal to the trigger level. In this case, the Trigger PLUS redeem for at least 40% less than the stated principal amount, and this decrease will be by an amount proportionate to the decline in the value of the underlying index over the term of the Trigger PLUS.

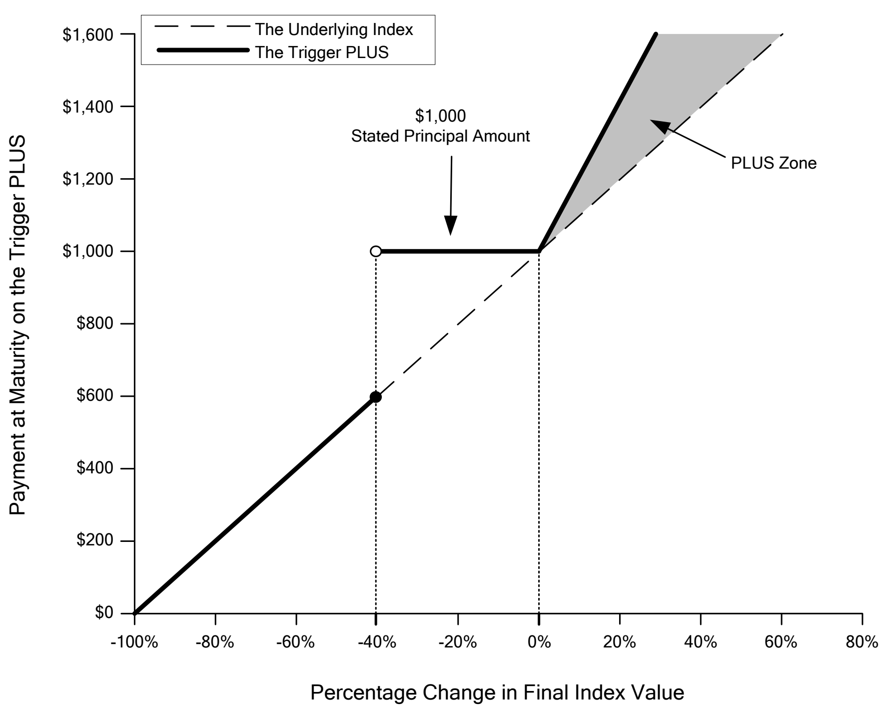
How the Trigger PLUS Work

Payoff Diagram

The payoff diagram below illustrates the payment at maturity on the Trigger PLUS based on the following terms:

Stated principal amount:	$1,000 per Trigger PLUS
Leverage factor:	150%
Trigger level:	60% of the initial index value

Trigger PLUS Payoff Diagram



How it works

- **Upside Scenario:** If the final index value is greater than the initial index value, investors will receive the $1,000 stated principal amount plus 150% of the appreciation of the underlying index over the term of the Trigger PLUS.
  - If the underlying index appreciates 5%, investors will receive a 7.5% return, or $1,075.00 per Trigger PLUS.
- **Par Scenario:** If the final index value is less than or equal to the initial index value but is greater than the trigger level, investors will receive the $1,000 stated principal amount.
  - If the underlying index depreciates 30%, investors will receive the $1,000 stated principal amount.
- **Downside Scenario:** If the final index value is less than or equal to the trigger level, investors will receive an amount significantly less than the $1,000 stated principal amount, based on a 1% loss of principal for each 1% decline in the underlying index.
  - If the underlying index depreciates 80%, investors will lose 80% of the investor's principal and receive only $200 per Trigger PLUS at maturity, or 20% of the stated principal amount.

Risk Factors

The following is a non-exhaustive list of certain key risk factors for investors in the Trigger PLUS. For further discussion of these and other risks, you should read the section entitled "Risk Factors" in the accompanying product supplement for PLUS, index supplement and prospectus. You should also consult with your investment, legal, tax, accounting and other advisers in connection with your investment in the Trigger PLUS.

- **Trigger PLUS do not pay interest or guarantee return of any principal.** The terms of the Trigger PLUS differ from those of ordinary debt securities in that the Trigger PLUS do not pay interest or guarantee payment of any principal at maturity. If the final index value is less than or equal to the trigger level (which is 60% of the initial index level), the payout at maturity will be an amount in cash that is at least 40% less than the $1,000 stated principal amount of each Trigger PLUS, and this decrease will be by an amount proportionate to the decrease in the value of the underlying index. There is no minimum payment at maturity on the Trigger PLUS, and you could lose your entire investment.

- **The market price will be influenced by many unpredictable factors.** Several factors, many of which are beyond our control, will influence the value of the Trigger PLUS in the secondary market and the price at which MS & Co. may be willing to purchase or sell the Trigger PLUS in the secondary market, including: the value, volatility (frequency and magnitude of changes in value) and dividend yield of the underlying index, interest and yield rates, time remaining to maturity, geopolitical conditions and economic, financial, political and regulatory or judicial events that affect the underlying index or equities markets generally and which may affect the final index value of the underlying index, and any actual or anticipated changes in our credit ratings or credit spreads. Generally, the longer the time remaining to maturity, the more the market price of the Trigger PLUS will be affected by the other factors described above. The value of the underlying index may be, and has recently been, volatile, and we can give you no assurance that the volatility will lessen. See "S&P 500® Index Overview" below. You may receive less, and possibly significantly less, than the stated principal amount per Trigger PLUS if you try to sell your Trigger PLUS prior to maturity.

- **The Trigger PLUS are subject to the credit risk of Morgan Stanley, and any actual or anticipated changes to its credit ratings or credit spreads may adversely affect the market value of the Trigger PLUS.** You are dependent on Morgan Stanley's ability to pay all amounts due on the Trigger PLUS at maturity and therefore you are subject to the credit risk of Morgan Stanley. If Morgan Stanley defaults on its obligations under the Trigger PLUS, your investment would be at risk and you could lose some or all of your investment. As a result, the market value of the Trigger PLUS prior to maturity will be affected by changes in the market's view of Morgan Stanley's creditworthiness. Any actual or anticipated decline in Morgan Stanley's credit ratings or increase in the credit spreads charged by the market for taking Morgan Stanley credit risk is likely to adversely affect the market value of the Trigger PLUS.

- **The amount payable on the Trigger PLUS is not linked to the value of the underlying index at any time other than the valuation date.** The final index value will be based on the index closing value on the valuation date, subject to adjustment for non-index business days and certain market disruption events. Even if the value of the underlying index appreciates prior to the valuation date but then drops by the valuation date, the payment at maturity may be less, and may be significantly less, than it would have been had the payment at maturity been linked to the value of the underlying index prior to such drop. Although the actual value of the underlying index on the stated maturity date or at other times during the term of the Trigger PLUS may be higher than the final index value, the payment at maturity will be based solely on the index closing value on the valuation date.

- **Investing in the Trigger PLUS is not equivalent to investing in the underlying index.** Investing in the Trigger PLUS is not equivalent to investing in the underlying index or its component stocks. As an investor in the Trigger PLUS, you will not have voting rights or rights to receive dividends or other distributions or any other rights with respect to stocks that constitute the underlying index.

- **Adjustments to the underlying index could adversely affect the value of the Trigger PLUS.** The underlying index publisher may add, delete or substitute the stocks constituting the underlying index or make other methodological changes that could change the value of the underlying index. The underlying index publisher may discontinue or suspend calculation or publication of the underlying index at any time. In these circumstances, the calculation agent will have the sole discretion to substitute a successor index that is comparable to the discontinued underlying index and is not precluded from considering indices that are calculated and published by the calculation agent or any of its affiliates. If the calculation agent determines that there is no appropriate successor index, the payment at maturity on the Trigger PLUS will be an amount based on the closing prices at maturity of the securities composing the underlying index at the time of such discontinuance, without rebalancing or substitution, computed by the calculation agent in accordance with the formula for calculating the underlying index last in effect prior to discontinuance of the underlying index.

- **The rate we are willing to pay for securities of this type, maturity and issuance size is likely to be lower than the rate implied by our secondary market credit spreads and advantageous to us. Both the lower rate and the inclusion of costs associated with issuing, selling, structuring and hedging the Trigger PLUS in the original issue price reduce the economic terms of the Trigger PLUS, cause the estimated value of the Trigger PLUS to be less than the original issue price and will adversely affect secondary market prices.** Assuming no change in market conditions or any other relevant factors, the prices, if any, at which dealers, including MS & Co., may be willing to purchase the Trigger PLUS in secondary market transactions will likely be significantly lower than the original issue price, because secondary market prices will exclude the issuing, selling, structuring and hedging-related costs that are included in the original issue price and borne by you and because the secondary market prices will reflect our secondary market credit spreads and the bid-offer spread that any dealer would charge in a secondary market transaction of this type as well as other factors.

  The inclusion of the costs of issuing, selling, structuring and hedging the Trigger PLUS in the original issue price and the lower rate we are willing to pay as issuer make the economic terms of the Trigger PLUS less favorable to you than they otherwise would be.

  However, because the costs associated with issuing, selling, structuring and hedging the Trigger PLUS are not fully deducted upon issuance, for a period of up to 12 months following the issue date, to the extent that MS & Co. may buy or sell the Trigger PLUS in the secondary market, absent changes in market conditions, including those related to the underlying index, and to our secondary market credit spreads, it would do so based on values higher than the estimated value, and we expect that those higher values will also be reflected in your brokerage account statements.

- **The estimated value of the Trigger PLUS is determined by reference to our pricing and valuation models, which may differ from those of other dealers and is not a maximum or minimum secondary market price.** These pricing and valuation models are proprietary and rely in part on subjective views of certain market inputs and certain assumptions about future events, which may prove to be incorrect. As a result, because there is no market-standard way to value these types of securities, our models may yield a higher estimated value of the Trigger PLUS than those generated by others, including other dealers in the market, if they attempted to value the Trigger PLUS. In addition, the estimated value on the pricing date does not represent a minimum or maximum price at which dealers, including MS & Co., would be willing to purchase your Trigger PLUS in the secondary market (if any exists) at any time. The value of your Trigger PLUS at any time after the date of this pricing supplement will vary based on many factors that cannot be predicted with accuracy, including our creditworthiness and changes in market conditions. See also "The market price will be influenced by many unpredictable factors" above.

- **The Trigger PLUS will not be listed on any securities exchange and secondary trading may be limited.** The Trigger PLUS will not be listed on any securities exchange. Therefore, there may be little or no secondary market for the Trigger PLUS. MS & Co. may, but is not obligated to, make a market in the Trigger PLUS and, if it once chooses to make a market, may cease doing so at any time. When it does make a market, it will generally do so for transactions of routine secondary market size at prices based on its estimate of the current value of the Trigger PLUS, taking into account its bid/offer spread, our credit spreads, market volatility, the notional size of the proposed sale, the cost of unwinding any related hedging positions, the time remaining to maturity and the likelihood that it will be able to resell the Trigger PLUS. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the Trigger PLUS easily. Since other broker-dealers may not participate significantly in the secondary market for the Trigger PLUS, the price at which you may be able to trade your Trigger PLUS is likely to depend on the price, if any, at which MS & Co. is willing to transact. If, at any time, MS & Co. were to cease making a market in the Trigger PLUS, it is likely that there would be no secondary market for the Trigger PLUS. Accordingly, you should be willing to hold your Trigger PLUS to maturity.

- **The calculation agent, which is a subsidiary of the issuer, will make determinations with respect to the Trigger PLUS.** As calculation agent, MS & Co. will determine the initial index value, the trigger level and the final index value, including whether the underlying index has decreased to or below the trigger level, and calculate the amount of cash, if any, you will receive at maturity. Determinations made by MS & Co., in its capacity as calculation agent, including with respect to the occurrence or non-occurrence of market disruption events and the selection of a successor index or calculation of the final index value in the event of a market disruption event or discontinuance of the underlying index, may adversely affect the payout to you at maturity. In addition, MS & Co. has determined the estimated value of the Trigger PLUS on the pricing date.

- **Hedging and trading activity by our subsidiaries could potentially adversely affect the value of the Trigger PLUS.** One or more of our subsidiaries and/or third-party dealers expect to carry out hedging activities related to the Trigger PLUS (and to other instruments linked to the underlying index or its component stocks), including trading in the stocks that constitute the underlying index as well as in other instruments related to the underlying index. MS & Co. and some of our other subsidiaries also trade the stocks that constitute the underlying index and other financial instruments related to the underlying index on a regular basis as part of their general broker-dealer and other businesses. Any of these hedging or trading activities on or prior to the pricing date could potentially increase the initial index value and therefore, could increase the trigger level, which is the level above which the underlying index must close on the valuation date so that investors do not suffer a loss on their initial investment in the Trigger PLUS. Additionally, such hedging or trading activities during the term of the Trigger PLUS, including on the valuation date, could potentially affect whether the value of the underlying index on the valuation date is at or below the trigger level and, therefore, whether an investor would receive significantly less than the stated principal amount of the Trigger PLUS at maturity.

- **The U.S. federal income tax consequences of an investment in the Trigger PLUS are uncertain.** Please read the discussion under "Additional Information About the Trigger PLUS—Additional provisions—Tax considerations" in this document and the discussion under "United States Federal Taxation" in the accompanying product supplement for PLUS (together the "Tax Disclosure Sections") concerning the U.S. federal income tax consequences of an investment in the Trigger PLUS. If the Internal Revenue Service (the "IRS") were successful in asserting an alternative treatment, the timing and character of income on the Trigger PLUS might differ significantly from the tax treatment described in the Tax Disclosure Sections. For example, under one possible treatment, the IRS could seek to recharacterize the Trigger PLUS as debt instruments. In that event, U.S. Holders would be required to accrue into income original issue discount on the Trigger PLUS every year at a "comparable yield" determined at the time of issuance and recognize all income and gain in respect of the Trigger PLUS as ordinary income. Because the Trigger PLUS provides for the return of principal except where the final index value has declined to or below the trigger level, the risk that a Trigger PLUS would be recharacterized, for U.S. federal income tax purposes, as a debt instrument giving rise to ordinary income, rather than as an open transaction, is higher than with other equity-linked securities that do not contain similar provisions. We do not plan to request a ruling from the IRS regarding the tax treatment of the Trigger PLUS, and the IRS or a court may not agree with the tax treatment described in the Tax Disclosure Sections. In 2007, the U.S. Treasury Department and the IRS released a notice requesting comments on the U.S. federal income tax treatment of "prepaid forward contracts" and similar instruments. The notice focuses in particular on whether to require holders of these instruments to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; whether short-term instruments should be subject to any such accrual regime; the relevance of factors such as the exchange-traded status of the instruments and the nature of the underlying property to which the instruments are linked; the degree, if any, to which income (including any mandated accruals) realized by non-U.S. investors should be subject to withholding tax; and whether these instruments are or should be subject to the "constructive ownership" rule, which very generally can operate to recharacterize certain long-term capital gain as ordinary income and impose an interest charge. While the notice requests comments on appropriate transition rules and effective dates, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the Trigger PLUS, possibly with retroactive effect.

  Both U.S. and Non-U.S. Holders should consult their tax advisers regarding the U.S. federal income tax consequences of an investment in the Trigger PLUS, including possible alternative treatments, the issues presented by this notice and any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

S&P 500® Index Overview

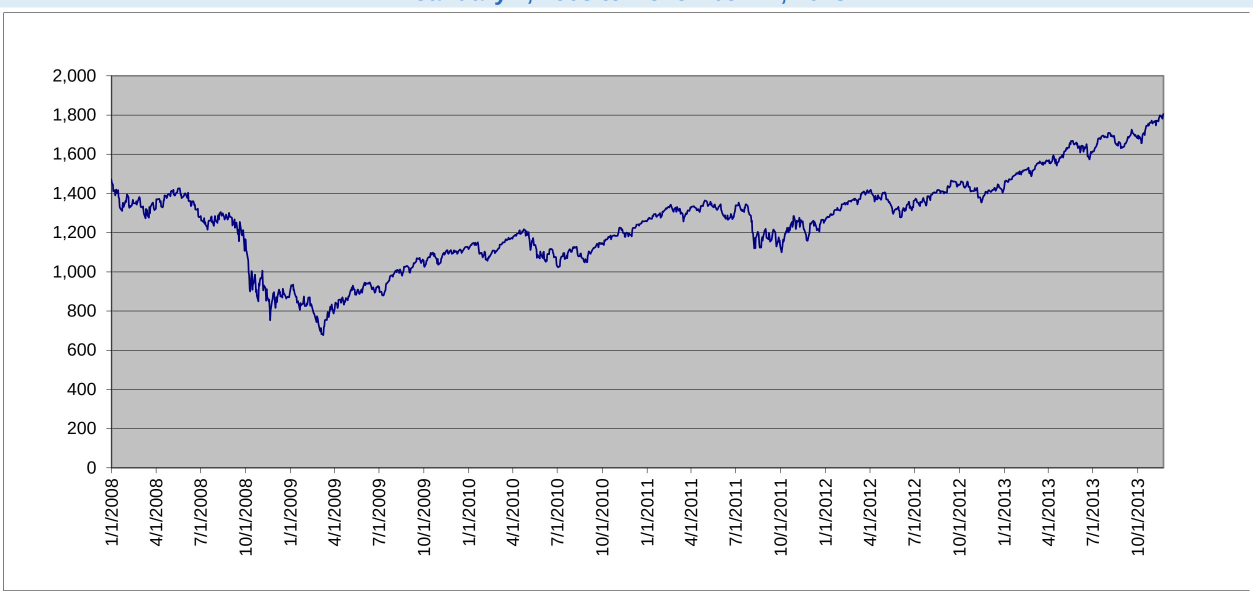
The S&P 500® Index, which is calculated, maintained and published by Standard & Poor's Financial Services LLC ("S&P"), consists of 500 component stocks selected to provide a performance benchmark for the U.S. equity markets. The calculation of the S&P 500® Index is based on the relative value of the float adjusted aggregate market capitalization of the 500 component companies as of a particular time as compared to the aggregate average market capitalization of 500 similar companies during the base period of the years 1941 through 1943. For additional information about the S&P 500® Index, see the information set forth under "S&P 500® Index" in the accompanying index supplement.

Information as of market close on November 22, 2013:

Bloomberg Ticker Symbol:	SPX
Current Index Value:	1,804.76
52 Weeks Ago:	1,391.03
52 Week High (on 11/22/2013):	1,804.76
52 Week Low (on 11/22/2012):	1,391.03

The following graph sets forth the daily closing values of the underlying index for the period from January 1, 2008 through November 22, 2013. The related table sets forth the published high and low closing values, as well as end-of-quarter closing values, of the underlying index for each quarter in the same period. The closing value of the underlying index on November 22 was 1,804.76. We obtained the information in the table and graph below from Bloomberg Financial Markets, without independent verification. The underlying index has at times experienced periods of high volatility, and you should not take the historical values of the underlying index as an indication of its future performance.

Underlying Index Historical Performance – Daily Index Closing Values
January 1, 2008 to November 22, 2013



S&P 500® Index	High	Low	Period End
2008			
First Quarter	1,447.16	1,273.37	1,322.70
Second Quarter	1,426.63	1,278.38	1,280.00
Third Quarter	1,305.32	1,106.39	1,166.36
Fourth Quarter	1,161.06	752.44	903.25
2009			
First Quarter	934.70	676.53	797.87
Second Quarter	946.21	811.08	919.32
Third Quarter	1,071.66	879.13	1,057.08
Fourth Quarter	1,127.78	1,025.21	1,115.10
2010			
First Quarter	1,174.17	1,056.74	1,169.43
Second Quarter	1,217.28	1,030.71	1,030.71
Third Quarter	1,148.67	1,022.58	1,141.20
Fourth Quarter	1,259.78	1,137.03	1,257.64
2011			
First Quarter	1,343.01	1,256.88	1,325.83
Second Quarter	1,363.61	1,265.42	1,320.64
Third Quarter	1,353.22	1,119.46	1,131.42
Fourth Quarter	1,285.09	1,099.23	1,257.60
2012			
First Quarter	1,416.51	1,277.06	1,408.47
Second Quarter	1,419.04	1,278.04	1,362.16
Third Quarter	1,465.77	1,334.76	1,440.67
Fourth Quarter	1,461.40	1,353.33	1,426.19
2013			
First Quarter	1,569.19	1,457.15	1,569.19
Second Quarter	1,669.16	1,541.61	1,606.28
Third Quarter	1,725.52	1,614.08	1,681.55
Fourth Quarter (through November 22, 2013)	1,804.76	1,655.45	1,804.76

License Agreement between S&P and Morgan Stanley

"Standard & Poor's®," "S&P®," "S&P 500®," "Standard & Poor's 500" and "500" are trademarks of S&P and have been licensed for use by Morgan Stanley. For more information, see "S&P 500® Index—License Agreement between S&P and Morgan Stanley" in the accompanying index supplement.

Additional Information About the Trigger PLUS

Please read this information in conjunction with the summary terms on the front cover of this document.

Additional provisions:	
Underlying index publisher:	Standard & Poor's Financial Services LLC
Denominations:	$1,000 per Trigger PLUS and integral multiples thereof
Interest:	None
Bull market or bear market PLUS:	Bull market PLUS
Postponement of maturity date:	If the scheduled valuation date is not an index business day or if a market disruption event occurs on that day so that the valuation date as postponed falls less than two business days prior to the scheduled maturity date, the maturity date of the Trigger PLUS will be postponed to the second business day following that valuation date as postponed.
Minimum ticketing size:	$1,000 / 1 Trigger PLUS
Tax considerations:	Although there is uncertainty regarding the U.S. federal income tax consequences of an investment in the Trigger PLUS due to the lack of governing authority, in the opinion of our counsel, Davis Polk & Wardwell LLP, under current law, and based on current market conditions, a Trigger PLUS should be treated as a single financial contract that is an "open transaction" for U.S. federal income tax purposes. Assuming this treatment of the Trigger PLUS is respected and subject to the discussion in "United States Federal Taxation" in the accompanying product supplement for PLUS, the following U.S. federal income tax consequences should result based on current law: ▪ A U.S. Holder should not be required to recognize taxable income over the term of the Trigger PLUS prior to settlement, other than pursuant to a sale or exchange. ▪ Upon sale, exchange or settlement of the Trigger PLUS, a U.S. Holder should recognize gain or loss equal to the difference between the amount realized and the U.S. Holder's tax basis in the Trigger PLUS. Such gain or loss should be long-term capital gain or loss if the investor has held the Trigger PLUS for more than one year, and short-term capital gain or loss otherwise. In 2007, the U.S. Treasury Department and the Internal Revenue Service (the "IRS") released a notice requesting comments on the U.S. federal income tax treatment of "prepaid forward contracts" and similar instruments. The notice focuses in particular on whether to require holders of these instruments to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; whether short-term instruments should be subject to any such accrual regime; the relevance of factors such as the exchange-traded status of the instruments and the nature of the underlying property to which the instruments are linked; the degree, if any, to which income (including any mandated accruals) realized by non-U.S. investors should be subject to withholding tax; and whether these instruments are or should be subject to the "constructive ownership" rule, which very generally can operate to recharacterize certain long-term capital gain as ordinary income and impose an interest charge. While the notice requests comments on appropriate transition rules and effective dates, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the Trigger PLUS, possibly with retroactive effect. **Both U.S. and non-U.S. investors considering an investment in the Trigger PLUS should read the discussion under "Risk Factors" in this document and the discussion under "United States Federal Taxation" in the accompanying product supplement for PLUS and consult their tax advisers regarding all aspects of the U.S. federal income tax consequences of an investment in the Trigger PLUS, including possible alternative treatments, the issues presented by the aforementioned notice and any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction. Additionally, any consequences resulting from the Medicare tax on investment income are not discussed in this document or the accompanying product supplement for PLUS.** **The discussion in the preceding paragraphs under "Tax considerations" and the discussion contained in the section entitled "United States Federal Taxation" in the**

	accompanying product supplement for PLUS, insofar as they purport to describe provisions of U.S. federal income tax laws or legal conclusions with respect thereto, constitute the full opinion of Davis Polk & Wardwell LLP regarding the material U.S. federal tax consequences of an investment in the Trigger PLUS.
Trustee:	The Bank of New York Mellon
Calculation agent:	MS & Co.
Use of proceeds and hedging:	The proceeds we receive from the sale of the Trigger PLUS will be used for general corporate purposes. We will receive, in aggregate, $1,000 per Trigger PLUS issued, because, when we enter into hedging transactions in order to meet our obligations under the Trigger PLUS, our hedging counterparty will reimburse the cost of the agent's commissions. The costs of the Trigger PLUS borne by you and described beginning on page 2 above comprise the agent's commissions and the cost of issuing, structuring and hedging the Trigger PLUS. On or prior to the pricing date, we will hedge our anticipated exposure in connection with the Trigger PLUS by entering into hedging transactions with our subsidiaries and/or third party dealers. We expect our hedging counterparties to take positions in stocks of the underlying index, futures or options contracts on the underlying index or any other securities or instruments they may wish to use in connection with such hedging. Such purchase activity could potentially increase the initial index value and therefore, could increase the trigger level, which is the level above which the underlying index must close on the valuation date so that investors do not suffer a loss on their initial investment in the Trigger PLUS. In addition, through our subsidiaries, we are likely to modify our hedge position throughout the life of the Trigger PLUS, including on the valuation date, by purchasing and selling the stocks constituting the underlying index, futures or options contracts on the underlying index or its component stocks listed on major securities markets or positions in any other available securities or instruments that we may wish to use in connection with such hedging activities. We cannot give any assurance that our hedging activities will not affect the value of the underlying index and, therefore, adversely affect the value of the Trigger PLUS or the payment you will receive at maturity, if any. For further information on our use of proceeds and hedging, see "Use of Proceeds and Hedging" in the accompanying product supplement for PLUS.
Benefit plan investor considerations:	Each fiduciary of a pension, profit-sharing or other employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (a "Plan"), should consider the fiduciary standards of ERISA in the context of the Plan's particular circumstances before authorizing an investment in the Trigger PLUS. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the Plan. In addition, we and certain of our subsidiaries and affiliates, including MS & Co., may be considered a "party in interest" within the meaning of ERISA, or a "disqualified person" within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"), with respect to many Plans, as well as many individual retirement accounts and Keogh plans (also "Plans"). ERISA Section 406 and Code Section 4975 generally prohibit transactions between Plans and parties in interest or disqualified persons. Prohibited transactions within the meaning of ERISA or the Code would likely arise, for example, if the Trigger PLUS are acquired by or with the assets of a Plan with respect to which MS & Co. or any of its affiliates is a service provider or other party in interest, unless the Trigger PLUS are acquired pursuant to an exemption from the "prohibited transaction" rules. A violation of these "prohibited transaction" rules could result in an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for such persons, unless exemptive relief is available under an applicable statutory or administrative exemption. The U.S. Department of Labor has issued five prohibited transaction class exemptions ("PTCEs") that may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the Trigger PLUS. Those class exemptions are PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts) and PTCE 84-14 (for certain transactions determined by independent qualified professional asset managers). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code may provide an exemption for the purchase and sale of securities and the related lending transactions, provided that neither the issuer of the securities nor any of its affiliates has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of the Plan involved in the transaction and provided further that the Plan pays no more, and receives no less, than "adequate consideration" in connection with the transaction (the so-called "service provider" exemption). There can be no assurance that any of these class or statutory exemptions will be

available with respect to transactions involving the Trigger PLUS.

Because we may be considered a party in interest with respect to many Plans, the Trigger PLUS may not be purchased, held or disposed of by any Plan, any entity whose underlying assets include "plan assets" by reason of any Plan's investment in the entity (a "Plan Asset Entity") or any person investing "plan assets" of any Plan, unless such purchase, holding or disposition is eligible for exemptive relief, including relief available under PTCEs 96-23, 95-60, 91-38, 90-1, 84-14 or the service provider exemption or such purchase, holding or disposition is otherwise not prohibited. Any purchaser, including any fiduciary purchasing on behalf of a Plan, transferee or holder of the Trigger PLUS will be deemed to have represented, in its corporate and its fiduciary capacity, by its purchase and holding of the Trigger PLUS that either (a) it is not a Plan or a Plan Asset Entity and is not purchasing such Trigger PLUS on behalf of or with "plan assets" of any Plan or with any assets of a governmental, non-U.S. or church plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code ("Similar Law") or (b) its purchase, holding and disposition are eligible for exemptive relief or such purchase, holding and disposition are not prohibited by ERISA or Section 4975 of the Code or any Similar Law.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the Trigger PLUS on behalf of or with "plan assets" of any Plan consult with their counsel regarding the availability of exemptive relief.

The Trigger PLUS are contractual financial instruments. The financial exposure provided by the Trigger PLUS is not a substitute or proxy for, and is not intended as a substitute or proxy for, individualized investment management or advice for the benefit of any purchaser or holder of the Trigger PLUS. The Trigger PLUS have not been designed and will not be administered in a manner intended to reflect the individualized needs and objectives of any purchaser or holder of the Trigger PLUS.

Each purchaser or holder of any Trigger PLUS acknowledges and agrees that:

(i) the purchaser or holder or its fiduciary has made and shall make all investment decisions for the purchaser or holder and the purchaser or holder has not relied and shall not rely in any way upon us or our affiliates to act as a fiduciary or adviser of the purchaser or holder with respect to (A) the design and terms of the Trigger PLUS, (B) the purchaser or holder's investment in the Trigger PLUS, or (C) the exercise of or failure to exercise any rights we have under or with respect to the Trigger PLUS;

(ii) we and our affiliates have acted and will act solely for our own account in connection with (A) all transactions relating to the Trigger PLUS and (B) all hedging transactions in connection with our obligations under the Trigger PLUS;

(iii) any and all assets and positions relating to hedging transactions by us or our affiliates are assets and positions of those entities and are not assets and positions held for the benefit of the purchaser or holder;

(iv) our interests are adverse to the interests of the purchaser or holder; and

(v) neither we nor any of our affiliates is a fiduciary or adviser of the purchaser or holder in connection with any such assets, positions or transactions, and any information that we or any of our affiliates may provide is not intended to be impartial investment advice.

Each purchaser and holder of the Trigger PLUS has exclusive responsibility for ensuring that its purchase, holding and disposition of the Trigger PLUS do not violate the prohibited transaction rules of ERISA or the Code or any Similar Law. The sale of any Trigger PLUS to any Plan or plan subject to Similar Law is in no respect a representation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by plans generally or any particular plan, or that such an investment is appropriate for plans generally or any particular plan.

However, individual retirement accounts, individual retirement annuities and Keogh plans, as well as employee benefit plans that permit participants to direct the investment of their accounts, will not be permitted to purchase or hold the Trigger PLUS if the account, plan or annuity is for the benefit of an employee of Morgan Stanley or Morgan Stanley Wealth Management or a family member and the employee receives any compensation (such as, for example, an addition to bonus) based on the purchase of the Trigger PLUS by the account,

	plan or annuity.
Additional considerations:	Client accounts over which Morgan Stanley, Morgan Stanley Wealth Management or any of their respective subsidiaries have investment discretion are not permitted to purchase the Trigger PLUS, either directly or indirectly.
Supplemental information regarding plan of distribution; conflicts of interest:	Selected dealers, which may include our affiliates, and their financial advisors will collectively receive from the agent, Morgan Stanley & Co. LLC, a fixed sales commission of $ for each Trigger PLUS they sell; *provided* that dealers selling to investors purchasing the Trigger PLUS in fee-based advisory accounts will receive a sales commission of $ per Trigger PLUS. MS & Co. is our wholly-owned subsidiary and it and other subsidiaries of ours expect to make a profit by selling, structuring and, when applicable, hedging the Trigger PLUS. When MS & Co. prices this offering of Trigger PLUS, it will determine the economic terms of the Trigger PLUS such that for each Trigger PLUS the estimated value on the pricing date will be no lower than the minimum level described in "Investment Summary" beginning on page 2. MS & Co. will conduct this offering in compliance with the requirements of FINRA Rule 5121 of the Financial Industry Regulatory Authority, Inc., which is commonly referred to as FINRA, regarding a FINRA member firm's distribution of the securities of an affiliate and related conflicts of interest. MS & Co. or any of our other affiliates may not make sales in this offering to any discretionary account. See "Plan of Distribution (Conflicts of Interest)" and "Use of Proceeds and Hedging" in the accompanying product supplement for PLUS.
Contact:	Morgan Stanley Wealth Management clients may contact their local Morgan Stanley branch office or our principal executive offices at 1585 Broadway, New York, New York 10036 (telephone number (866) 477-4776). All other clients may contact their local brokerage representative. Third-party distributors may contact Morgan Stanley Structured Investment Sales at (800) 233-1087.
Where you can find more information:	Morgan Stanley has filed a registration statement (including a prospectus, as supplemented by the product supplement for PLUS and the index supplement) with the Securities and Exchange Commission, or SEC, for the offering to which this communication relates. You should read the prospectus in that registration statement, the product supplement for PLUS, the index supplement and any other documents relating to this offering that Morgan Stanley has filed with the SEC for more complete information about Morgan Stanley and this offering. You may get these documents without cost by visiting EDGAR on the SEC web site at www.sec.gov. Alternatively, Morgan Stanley will arrange to send you the product supplement for PLUS, index supplement and prospectus if you so request by calling toll-free 800-584-6837. You may access these documents on the SEC web site at www.sec.gov as follows: **Product Supplement for PLUS dated August 17, 2012** **Index Supplement dated November 21, 2011** **Prospectus dated November 21, 2011** Terms used in this document are defined in the product supplement for PLUS, in the index supplement or in the prospectus. As used in this document, the "Company," "we," "us" and "our" refer to Morgan Stanley. "Performance Leveraged Upside Securities℠" and "PLUS℠" are our service marks.

Amendment No. 1 dated August 17, 2012 to
PRODUCT SUPPLEMENT
For Performance Leveraged Upside Securities
(To Prospectus dated November 21, 2011)

Filed Pursuant to Rule 424(b)(2)
Registration Statement No. 333-178081

Morgan Stanley

GLOBAL MEDIUM-TERM NOTES, SERIES F
Senior Fixed Rate Notes

Performance Leveraged Upside Securities^{SM} ("PLUS^{SM}")
Linked to One or More Indices and/or Exchange-Traded Funds

We, Morgan Stanley, may offer from time to time performance leveraged upside securities, which we refer to as PLUS^{SM}, that may be linked to a single index, shares of an exchange-traded fund or a basket consisting of two or more components which may be indices and/or exchange-traded funds. We refer to any single index, exchange-traded fund or basket that may underlie the PLUS as the underlying asset. The specific terms of any PLUS that we offer, including the name(s) of the underlying asset(s), will be included in a pricing supplement. If the terms described in the applicable pricing supplement are inconsistent with those described in this product supplement for PLUS, in any accompanying index supplement or in the accompanying prospectus, the terms described in the applicable pricing supplement will prevail. The PLUS will have the following general terms:

- *The PLUS do not guarantee the return of principal at maturity.*
- *At maturity, the PLUS will pay an amount in cash that may be more or less than the principal amount of each PLUS based upon the change in value of the underlying asset over the term of the PLUS.*
- *The PLUS provide exposure to both increases and decreases in the value of the underlying asset. The exposure to potential increases in the case of bull market PLUS, or to potential decreases in the case of bear market PLUS, is leveraged, generally up to a maximum payment amount per PLUS.*
- *The PLUS will be unsubordinated unsecured obligations of ours.*
- *The PLUS will be held in global form by The Depository Trust Company, unless the applicable pricing supplement provides otherwise.*

The applicable pricing supplement will describe the specific terms of the PLUS, including any changes to the terms specified in this product supplement. See "Description of PLUS—General Terms of PLUS—Terms Specified in Pricing Supplements" on page S-29.

Investing in the PLUS involves risks not associated with an investment in ordinary debt securities. See "Risk Factors" beginning on page S-23.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this product supplement, any accompanying index supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Morgan Stanley & Co. LLC, our wholly-owned subsidiary, has agreed to use reasonable efforts to solicit offers to purchase these securities as our agent. The agent may also purchase these securities as principal at prices to be agreed upon at the time of sale. The agent may resell any securities it purchases as principal at prevailing market prices, or at other prices, as the agent determines.

Morgan Stanley & Co. LLC may use this product supplement, the applicable pricing supplement, any accompanying index supplement and the accompanying prospectus in connection with offers and sales of the securities in market-making transactions.

These securities are not deposits or savings accounts and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency or instrumentality, nor are they obligations of, or guaranteed by, a bank.

MORGAN STANLEY

August 17, 2012

For a description of certain restrictions on offers, sales and deliveries of the PLUS and on the distribution of this product supplement, any accompanying index supplement and the accompanying prospectus relating to the PLUS, see the section of this product supplement called "Plan of Distribution (Conflicts of Interest)."

No action has been or will be taken by us, the agent or any dealer that would permit a public offering of the PLUS or possession or distribution of this product supplement, any accompanying index supplement or the accompanying prospectus in any jurisdiction, other than the United States, where action for that purpose is required. None of this product supplement, any accompanying index supplement nor the accompanying prospectus may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

The PLUS have not been and will not be registered with the Comissão de Valores Mobiliários (The Brazilian Securities Commission). The PLUS may not be offered or sold in the Federative Republic of Brazil except in circumstances which do not constitute a public offering or distribution under Brazilian laws and regulations.

The PLUS have not been registered with the Superintendencia de Valores y Seguros in Chile and may not be offered or sold publicly in Chile. No offer, sales or deliveries of the PLUS or distribution of this product supplement, any accompanying index supplement or the accompanying prospectus, may be made in or from Chile except in circumstances which will result in compliance with any applicable Chilean laws and regulations.

WARNING: The contents of this product supplement, any accompanying index supplement and the accompanying prospectus have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this product supplement, any accompanying index supplement or the accompanying prospectus, you should obtain independent professional advice.

None of this product supplement, any accompanying index supplement, the accompanying prospectus and their contents have been reviewed by any regulatory authority in Hong Kong. Accordingly, no person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the PLUS, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the applicable securities law of Hong Kong) other than with respect to the PLUS which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Chapter 571 of Hong Kong) and any rules made under that Ordinance.

The PLUS have not been registered with the National Registry of Securities maintained by the Mexican National Banking and Securities Commission and may not be offered or sold publicly in Mexico. This product supplement, any accompanying index supplement and the accompanying prospectus may not be publicly distributed in Mexico.

None of this product supplement, any accompanying index supplement and the accompanying prospectus have been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, none of this product supplement, any accompanying index supplement and the accompanying prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the PLUS may be circulated or distributed, nor may the PLUS be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where PLUS are subscribed or purchased under Section 275 by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the PLUS pursuant to an offer made under Section 275 except:

(1) to an institutional investor (for corporations under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

(2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law.

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You should rely only on the information contained or incorporated by reference in this product supplement, any accompanying index supplement, the prospectus and any applicable pricing supplement. We have not authorized anyone else to provide you with different or additional information. We are offering to sell these securities and seeking offers to buy these securities only in jurisdictions where offers and sales are permitted. As used in this product supplement, the "Company," "we," "us," and "our" refer to Morgan Stanley.

SUMMARY

The following summary describes the performance leveraged upside securities, which we refer to as PLUS^{SM}, offered under this program, in general terms only. You should read the summary together with the more detailed information contained in this product supplement, in any accompanying index supplement, in the accompanying prospectus and in the applicable pricing supplement. We may also prepare free writing prospectuses that describe particular issuances of PLUS. Any free writing prospectus should also be read in connection with this product supplement, any accompanying index supplement and the accompanying prospectus. For purposes of this product supplement, any references to an applicable pricing supplement may also refer to a free writing prospectus, unless the context otherwise requires.

We will sell the PLUS primarily in the United States, but may also sell them outside the United States or both in and outside the United States simultaneously. The PLUS we offer under this product supplement are among the notes we refer to as our Series F medium-term notes. We refer to the offering of the Series F medium-term notes as our Series F program. See "Plan of Distribution (Conflicts of Interest)" in this product supplement.

"Performance Leveraged Upside Securities" and "PLUS" are our service marks.

General terms of the PLUS

Unlike ordinary debt securities, the PLUS do not guarantee the return of principal at maturity. The PLUS generally do not pay interest, but may do so if so specified in the applicable pricing supplement. At maturity, the PLUS will pay an amount in cash based upon the value of an index (the "underlying index"), the shares of an exchange-traded fund (the "underlying shares") or a basket of indices (each index, a "basket index") and/or shares of exchange-traded funds (each exchange-traded fund, a "basket ETF") on the valuation date. We refer to any basket of indices and/or shares of exchange-traded funds as a "basket," to any basket index or basket ETF as a "basket component" and to any underlying index, underlying shares or basket, as the "underlying asset."

Bull Market PLUS

Payment at maturity

For PLUS that pay you a leveraged positive return if the underlying asset *increases* in value and expose you to risk of loss if the underlying asset *decreases* in value, which we refer to as "**Bull Market PLUS**," you will receive for each PLUS that you hold at maturity an amount in cash based upon the value of the underlying asset on the specified valuation date, determined as follows:

- ***If the final value is greater than the initial value***, you will receive for each PLUS that you hold a payment at maturity equal to:

  stated principal amount per PLUS + leveraged upside payment,

  subject to a **maximum payment at maturity** specified in the applicable pricing supplement,

where,

stated principal amount = the stated principal amount per PLUS, as specified in the applicable pricing supplement

leveraged upside payment = stated principal amount × leverage factor × index percent increase

OR

$$\text{stated principal amount} \times \text{leverage factor} \times \text{share percent increase}$$

OR

$$\text{stated principal amount} \times \text{leverage factor} \times \text{basket percent increase}$$

, depending on whether the PLUS are linked to an index, an exchange-traded fund or a basket.

leverage factor = the percentage specified in the applicable pricing supplement

$$\text{index percent increase} = \frac{\text{final index value} - \text{initial index value}}{\text{initial index value}}$$

$$\text{share percent increase} = \frac{\text{final share price} - \text{initial share price}}{\text{initial share price}}$$

$$\text{basket percent increase} = \frac{\text{final basket value} - \text{initial basket value}}{\text{initial basket value}}$$

- ***If the final value is less than or equal to the initial value***, you will receive for each PLUS that you hold a payment at maturity that is less than the stated principal amount of each PLUS by an amount proportionate to the *decrease* in value of the underlying asset and that will be equal to:

$$\text{stated principal amount} \times \text{index performance factor}$$

OR

$$\text{stated principal amount} \times \text{share performance factor}$$

OR

$$\text{stated principal amount} \times \text{basket performance factor}$$

, depending on whether the PLUS are linked to an index, an exchange-traded fund or a basket.

where,

$$\text{index performance factor} = \frac{\text{final index value}}{\text{initial index value}}$$

$$\text{share performance factor} = \frac{\text{final share price}}{\text{initial share price}}$$

$$\text{basket performance factor} = \frac{\text{final basket value}}{\text{initial basket value}}$$

Because in this scenario, the index performance factor, share performance factor and basket performance factor will, in each case, be less than or equal to 1.0, this payment will be less than or equal to the stated principal amount.

For purposes of determining the index percent increase, share percent increase or basket percent increase (or the index percent decrease, share percent decrease or basket percent decrease, described below under “Bear Market PLUS”) and the index performance factor, share performance factor and basket performance factor, we use the following terms:

With respect to an underlying index:

initial index value	=	the index closing value on the day we price the PLUS for initial sale to the public, which we refer to as the pricing date, unless otherwise specified in the applicable pricing supplement
final index value	=	the index closing value on the valuation date
index closing value	=	the closing value of the underlying index or any successor index published at the regular weekday close of trading on the relevant index business day. In certain circumstances, the index closing value will be based on an alternate calculation of the index. See “Description of PLUS—Discontinuance of Any Underlying Index or Basket Index; Alteration of Method of Calculation” below.

With respect to underlying shares:

initial share price	=	the share closing price of one share of the underlying shares on the pricing date, unless otherwise specified in the applicable pricing supplement
final share price	=	the share closing price of one share of the underlying shares on the valuation date *times* the adjustment factor on such date
share closing price	=	as defined in “Description of PLUS—General Terms of PLUS —Some Definitions—share closing price”
adjustment factor	=	a number which is initially 1.0 and will be subject to adjustment for certain events affecting the underlying shares

With respect to a basket:

initial basket value	=	100, unless otherwise specified in the applicable pricing supplement
final basket value	=	the basket closing value on the valuation date
basket closing value	=	on any day, the sum of the products of the basket component closing values of each basket component and the applicable multiplier for such basket component. In certain circumstances, the basket closing value will be based on an alternate calculation of any basket index described under “Description of

PLUS—Discontinuance of Any Underlying Index or Basket Index; Alteration of Method of Calculation" and/or any basket ETF described under "Description of PLUS—Discontinuance of Any ETF Shares and/or Share Underlying Index; Alteration of Method of Calculation"

basket component closing value	=	on any day, (i) the index closing value on such day for any basket index or (ii) the share closing price *times* the adjustment factor on such day for the shares of any basket ETF, as applicable
multiplier	=	the fractional value assigned to each basket component so that each basket component will represent its applicable weighting in the predetermined initial basket value. The multipliers for each of the basket components, which will be specified in the applicable pricing supplement, will be calculated by the Calculation Agent on the relevant basket component setting date and will remain constant for the term of the PLUS.

The valuation date on which the payment at maturity is to be calculated will be specified in the applicable pricing supplement. The applicable pricing supplement may specify that the PLUS will have multiple valuation dates as described under "PLUS with Multiple Valuation Dates" below. Any valuation date will be subject to postponement in the event of non-index business days, non-trading days or the occurrence of a market disruption event. See "Description of PLUS—Postponement of Valuation Date(s)" below.

Certain issuances of bull market PLUS will not be subject to a maximum payment at maturity and in such cases the leveraged upside payment will not be capped.

Bear Market PLUS

For issuances of PLUS that pay you a leveraged positive return if the underlying asset *decreases* in value and expose you to risk of loss if the underlying asset *increases* in value, which we will refer to as "**Bear Market PLUS**," you will receive for each PLUS that you hold at maturity an amount in cash based *inversely* upon the value of the underlying asset on the specified valuation date, determined as follows:

- ***If the final value is less than the initial value***, you will receive for each PLUS that you hold a payment at maturity equal to:

  stated principal amount per PLUS + enhanced downside payment,

  subject to a **maximum payment at maturity**, if any, which will be specified in the applicable pricing supplement,

where,

stated principal amount	=	the stated principal amount per PLUS, as specified in the applicable pricing supplement

$$\text{enhanced downside payment} = \text{stated principal amount} \times \text{leverage factor} \times \text{index percent decrease}$$

OR

$$\text{stated principal amount} \times \text{leverage factor} \times \text{share percent decrease}$$

OR

$$\text{stated principal amount} \times \text{leverage factor} \times \text{basket percent decrease}$$

, depending on whether the PLUS are linked to an index, an exchange-traded fund or a basket.

leverage factor = the percentage specified in the applicable pricing supplement

$$\text{index percent decrease} = \frac{\text{initial index value} - \text{final index value}}{\text{initial index value}}$$

$$\text{share percent decrease} = \frac{\text{initial share price} - \text{final share price}}{\text{initial share price}}$$

$$\text{basket percent decrease} = \frac{\text{initial basket value} - \text{final basket value}}{\text{initial basket value}}$$

- ***If the final value is greater than or equal to the initial value***, you will receive for each PLUS that you hold a payment at maturity that is *less than* the stated principal amount of each PLUS by an amount proportionate to the *increase* in the value of the underlying asset and that will be equal to:

  stated principal amount per PLUS – upside reduction amount,

  subject to a **minimum payment at maturity**, which will be $0, unless otherwise specified in the applicable pricing supplement,

where,

$$\text{upside reduction amount} = \text{stated principal amount per PLUS} \times \text{index percent increase}$$

OR

$$\text{stated principal amount per PLUS} \times \text{share percent increase}$$

OR

$$\text{stated principal amount per PLUS} \times \text{basket percent increase}$$

, depending on whether the PLUS are linked to an index, an exchange-traded fund or a basket.

and where,

$$\text{index percent increase} = \frac{\text{final index value} - \text{initial index value}}{\text{initial index value}}$$

$$\text{share percent increase} = \frac{\text{final share price} - \text{initial share price}}{\text{initial share price}}$$

$$\text{basket percent increase} = \frac{\text{final basket value} - \text{initial basket value}}{\text{initial basket value}}$$

Under no circumstances will the bear market PLUS pay less than the minimum payment at maturity specified in the applicable pricing supplement.

In each applicable pricing supplement, we will provide a graph which will illustrate the performance of the particular issuance of PLUS at maturity over a range of hypothetical percentage changes in the underlying asset. You should also review the graphs in the section of this product supplement titled "Hypothetical Payments on the PLUS at Maturity," which provide illustrations of the payments for both bull market PLUS and bear market PLUS over a range of hypothetical percentage changes in the underlying asset.

Other features of PLUS

Certain PLUS may have features that differ from the basic PLUS described above. An issuance of PLUS could combine one or more of the features listed below.

Buffered PLUS

For issuances of PLUS with a buffer amount, which we refer to as "**Buffered PLUS**," the payment at maturity will be determined as follows.

For Bull Market Buffered PLUS, the payment at maturity for each stated principal amount of Buffered PLUS that you hold will be an amount in cash based upon the value of the underlying asset on the specified valuation date, determined as follows:

- ***if the final value is greater than the initial value***,

  stated principal amount + leveraged upside payment,

  subject to a **maximum payment at maturity**, if any, specified in the applicable pricing supplement;

- ***if the final value is less than or equal to the initial value but has decreased by an amount less than or equal to the buffer amount from the initial value***,

  stated principal amount; or

- ***if the final value is less than the initial value and has decreased by an amount greater than the buffer amount from the initial value***, the payment at maturity will be based on different formulas, depending on whether there is a minimum payment at maturity or not, which are as follows:

  - *if there is a minimum payment at maturity*, it will equal the product of the stated principal amount and the buffer amount, and the payment at maturity will be:

(stated principal amount × index performance factor) + minimum payment at maturity

OR

(stated principal amount × share performance factor) + minimum payment at maturity

OR

(stated principal amount × basket performance factor) + minimum payment at maturity

, depending on whether the PLUS are linked to an index, an exchange-traded fund or a basket.

- This payment will be less than the stated principal amount; however, the payment at maturity for each stated principal amount of Buffered PLUS will *not be less than* the minimum payment at maturity, which will be the stated principal amount *times* the buffer amount.

- *if there is no minimum payment at maturity*, the payment at maturity will be:

stated principal amount + (stated principal amount × (index return + buffer amount) × downside factor)

OR

stated principal amount + (stated principal amount × (share return + buffer amount) × downside factor)

OR

stated principal amount + (stated principal amount × (basket return + buffer amount) × downside factor)

, depending on whether the PLUS are linked to an index, an exchange-traded fund or a basket.

- **Because in this scenario the sum of the index return, share return or basket return, as applicable, and the buffer amount will be less than zero, the payment at maturity will be less than the stated principal amount and may be zero.**

where,

buffer amount	=	*for bull market Buffered PLUS*, the percentage specified in the applicable pricing supplement by which the final value of the underlying asset *may decline* from the initial value of the underlying asset before you will lose any part of the stated principal amount per Buffered PLUS.
downside factor	=	*for bull market Buffered PLUS*, the factor specified in the applicable pricing supplement by which any percentage decline in the underlying asset beyond the buffer amount is multiplied.

$$\text{index return} = \frac{\text{final index value} - \text{initial index value}}{\text{initial index value}}$$

$$\text{share return} = \frac{\text{final share price} - \text{initial share price}}{\text{initial share price}}$$

$$\text{basket return} = \frac{\text{final basket value} - \text{initial basket value}}{\text{initial basket value}}$$

For Bear Market Buffered PLUS, the payment at maturity for each stated principal amount of Buffered PLUS that you hold will be an amount in cash based upon the value of the underlying asset on the specified valuation date, determined as follows:

- ***if the final value is less than the initial value***,

  stated principal amount + enhanced downside payment,

  subject to a **maximum payment at maturity**, if any, specified in the applicable pricing supplement;

- ***if the final value is greater than or equal to the initial value but has increased by an amount less than or equal to the buffer amount from the initial value***,

  stated principal amount; or

- ***if the final value is greater than the initial value and has increased by an amount greater than the buffer amount from the initial value***, the payment at maturity will be:

  (stated principal amount – upside reduction amount) + buffer payment,

  subject to a minimum payment at maturity, which will be $0, unless otherwise specified in the applicable pricing supplement.

  - This payment will be less than the stated principal amount and may be zero.

where,

buffer amount	=	*for bear market Buffered PLUS*, the percentage specified in the applicable pricing supplement by which the final value of the underlying asset *may increase* from the initial value of the underlying asset before you will lose any part of the stated principal amount per Buffered PLUS
buffer payment	=	an amount equal to the product of the stated principal amount and the buffer amount

See "Description of PLUS—General Terms of PLUS—Some Definitions" for the definition of terms related to Buffered PLUS.

PLUS with Multiple Valuation Dates

For issuances of PLUS that have multiple valuation dates, which will be specified in the applicable pricing supplement, the applicable provisions described above under "—Payment at maturity" or "—Other features of PLUS—Buffered PLUS" will apply, *except* that, in lieu of the final index value, final share price or final basket value, we will use the final average index value, final average share price or final average basket value, as applicable, defined as follows:

- the final average index value will equal the arithmetic average of the index closing values of the underlying index on the relevant valuation dates, as calculated by the Calculation Agent on the final valuation date;
- the final average share price will equal the arithmetic average of the products of the closing price of the underlying shares and the adjustment factor, each as determined on the relevant valuation dates, as calculated by the Calculation Agent on the final valuation date; and
- the final average basket value will equal the arithmetic average of the basket closing values on the relevant valuation dates, as calculated by the Calculation Agent on the final valuation date.

See "Description of PLUS—General Terms of PLUS—Some Definitions" for the definition of terms related to PLUS with multiple valuation dates.

Your return on any PLUS will be limited by the maximum payment at maturity

Unless the applicable pricing supplement for a PLUS does not specify a maximum payment at maturity, your return on the PLUS will be limited by the maximum payment at maturity. Although the leverage factor provides increased exposure to any increase, in the case of a bull market PLUS, or decrease, in the case of a bear market PLUS, in the value of the underlying asset at maturity, the payment at maturity will never exceed the maximum payment at maturity, which will be a fixed percentage over the original public offering price per PLUS. Further, in the event of any decrease, in the case of a bull market PLUS, or increase, in the case of a bear market PLUS, you will realize the entire decline. As a result, you may receive less, and possibly significantly less, than the original public offering price per PLUS.

Issue price of the PLUS includes commissions and projected profit

The issue price of the PLUS, which will be specified in the applicable pricing supplement, includes the agent's commissions paid with respect to the PLUS and the cost of hedging our obligations under the PLUS. The cost of hedging includes the projected profit that our subsidiaries may realize in consideration for assuming the risks inherent in managing the hedging transactions. The fact that the issue price of the PLUS includes these commissions and hedging costs is expected to adversely affect the secondary market prices of the PLUS. See "Risk Factors—The inclusion of commissions and projected profit from hedging in the original issue price is likely to adversely affect secondary market prices" and "Use of Proceeds and Hedging."

Postponement of maturity date

If any scheduled valuation date is not an index business day or a trading day, as applicable, or if a market disruption event occurs on that day so that the valuation date or final valuation date, as applicable, is postponed and falls less than two business days prior to the scheduled maturity date, the maturity date of the PLUS will be postponed to the second business day following that valuation date or final valuation date, as postponed.

Other terms of the PLUS	• The PLUS may bear interest, if any, at either a fixed rate or a floating rate, as specified in the applicable pricing supplement and may pay such interest, if any, on the dates specified in the applicable pricing supplement. • The PLUS will be denominated in U.S. dollars unless we specify otherwise in the applicable pricing supplement. • You will not have the right to present the PLUS to us for repayment prior to maturity unless we specify otherwise in the applicable pricing supplement. • We may from time to time, without your consent, create and issue additional PLUS with the same terms as PLUS previously issued so that they may be combined with the earlier issuance. • The PLUS will not be listed on any securities exchange, unless we specify otherwise in the applicable pricing supplement.
MS & Co. will be the Calculation Agent	We have appointed our affiliate, Morgan Stanley & Co. LLC or its successors, which we refer to as MS & Co., to act as Calculation Agent for us with respect to the PLUS. As Calculation Agent, MS & Co. will determine the initial index value, the initial share price, the final index value (or final average index value), the final share price (or final average share price), the final basket value (or final average basket value), the multipliers, as applicable, the percentage change in the underlying asset, the payment at maturity and whether a market disruption event has occurred. All determinations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding on you, the Trustee and us.
MS & Co. will be the agent; conflicts of interest	The agent for the offering of the PLUS is expected to be MS & Co., our wholly-owned subsidiary, which will conduct this offering in compliance with the requirements of FINRA Rule 5121 of the Financial Industry Regulatory Authority, Inc., which is commonly referred to as FINRA, regarding a FINRA member firm's distribution of the securities of an affiliate and related conflicts of interest. In accordance with FINRA Rule 5121, MS & Co. or any of our other affiliates may not make sales in this offering to any discretionary account without the prior written approval of the customer. See "Plan of Distribution (Conflicts of Interest)" in this product supplement.
Forms of securities	The PLUS will be issued in fully registered form and will be represented by a global security registered in the name of a nominee of The Depository Trust Company, as depositary, unless we indicate in the applicable pricing supplement that they will be represented by certificates issued in definitive form. We will not issue book-entry securities as certificated securities except under the circumstances described in "Forms of Securities—The Depositary" in the accompanying prospectus, under which heading you may also find information on The Depository Trust Company's book-entry system.
Where you can find more information on the PLUS	Because this is a summary, it does not contain all of the information that may be important to you. You should read the "Description of PLUS" section in this product supplement and the "Description of Debt Securities" section in the accompanying prospectus for a detailed description of the terms of the PLUS. You should also read about some of the risks involved in investing in the PLUS in the section of this product supplement called "Risk Factors." **The tax and accounting treatment of investments in equity-linked securities such as the PLUS may differ from that of investments in ordinary debt securities. See the**

	section of this product supplement called "Description of PLUS—United States Federal Taxation." You should consult with your investment, legal, accounting and other advisers with regard to any proposed or actual investment in the PLUS.
How to reach us	You may contact your local Morgan Stanley branch office or call us at (212) 761-4000.

HYPOTHETICAL PAYMENTS ON THE PLUS AT MATURITY

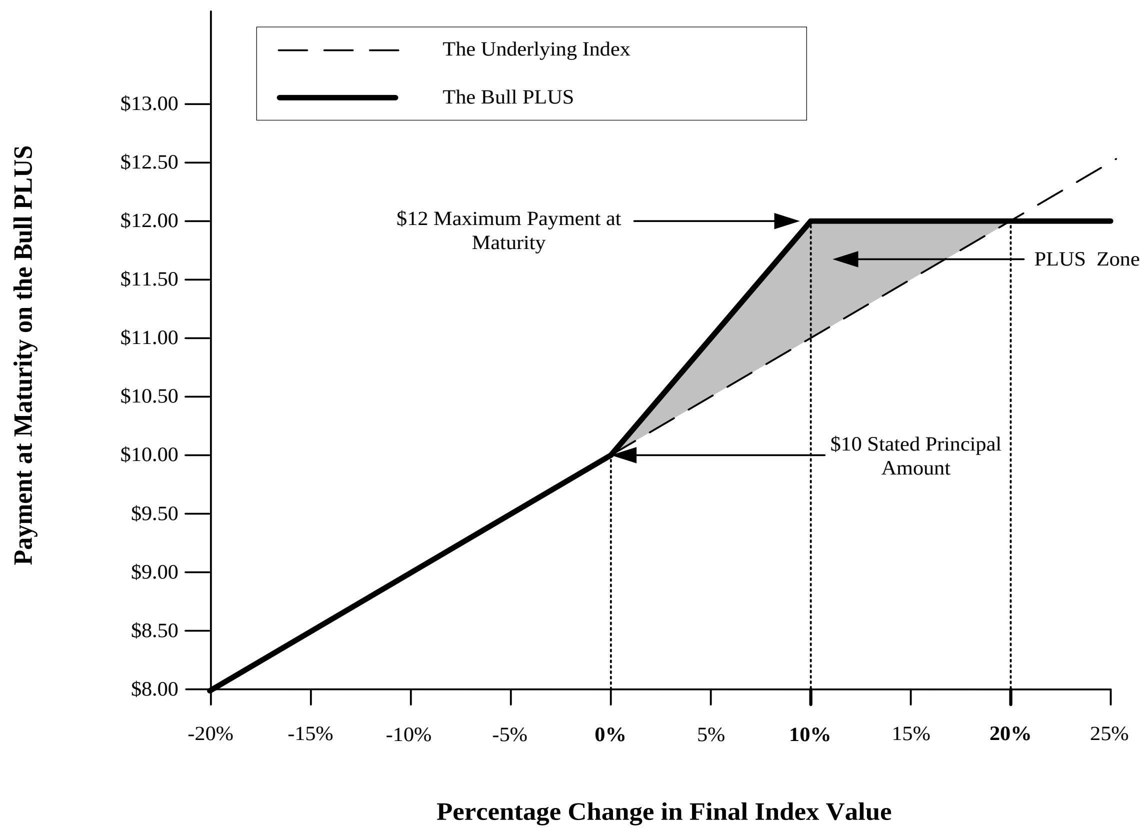
Bull Market PLUS:

Assuming an issuance of bull market PLUS linked to an underlying index with the hypothetical terms given below, the following graph illustrates the payment at maturity on each PLUS for a range of hypothetical percentage changes in the underlying index. The graph does not illustrate every percentage change that may occur. The PLUS Zone illustrates the leveraging effect of the leverage factor taking into account the maximum payment at maturity. The graph is based on the following hypothetical terms:

- stated principal amount: $10
- initial index value: 1,000
- leverage factor: 200%
- maximum payment at maturity: $12 (120% of the stated principal amount)

Where the final index value is greater than the initial index value, the payment at maturity on the PLUS reflected in the graph below is greater than the $10 stated principal amount per PLUS, but in all cases is subject to the maximum payment at maturity. Where the final index value is less than or equal to the initial index value, the payment at maturity on the PLUS reflected in the graph below is less than the $10 stated principal amount per PLUS.

In the hypothetical example below, you will realize the maximum payment at maturity at a final index value of 110% of the hypothetical initial index value. For example, for a hypothetical initial index value of 1,000, you would realize the maximum payment at maturity at a final index value of 1,100 because of the leverage factor. You will not share in increases in the final index value above 120% of the initial index value. In addition, because you will not receive more than the maximum payment at maturity, the effect of the leverage factor will be reduced as the final index value exceeds 110% of the initial index value.



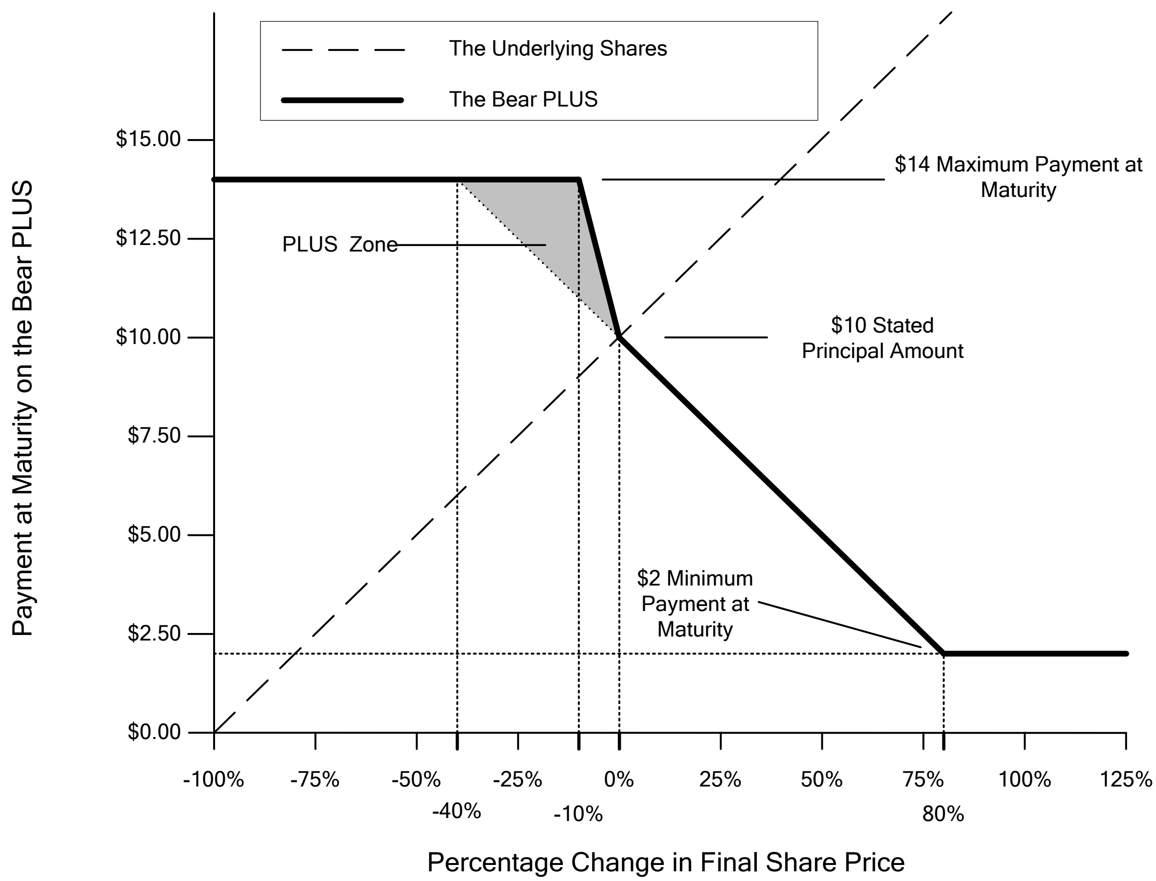
Bear Market PLUS:

Assuming an issuance of bear market PLUS linked to underlying shares with the hypothetical terms given below, the following graph illustrates the payment at maturity on each bear market PLUS for a range of hypothetical percentage changes in the underlying shares. The PLUS Zone illustrates the leveraging effect of the leverage factor taking into account the maximum payment at maturity. The graph is based on the following hypothetical terms:

- stated principal amount: $10
- initial share price $100
- leverage factor: 400%
- maximum payment at maturity: $14 (140% of the stated principal amount)
- minimum payment at maturity: $2 (20% of the stated principal amount)

Where the final share price is less than the initial share price, the payment at maturity on the bear market PLUS reflected in the graph below is greater than the $10 stated principal amount per bear market PLUS, but in all cases is subject to the maximum payment at maturity. Where the final share price is greater than or equal to the initial share price, the payment at maturity on the bear market PLUS reflected in the graph below is less than or equal to the $10 stated principal amount per bear market PLUS but in all cases is subject to the minimum payment at maturity.

In the hypothetical example below, you will realize the maximum payment at maturity at a final share price of 90% of the hypothetical initial share price. For example, if the initial share price were equal to $100, you would realize the maximum payment at maturity at a final share price of $90 because of the leverage factor. You will not share in decreases in the final share price below 60% of the initial share price. In addition, because you will not receive more than the maximum payment at maturity, the effect of the leverage factor will be reduced as the final share price decreases below 90% of the initial share price.



Bull Market Buffered PLUS (Minimum Payment at Maturity = Stated Principal Amount × Buffer Amount):

Assuming an issuance of bull market Buffered PLUS linked to an underlying index with the hypothetical terms given below, the following graph illustrates the payment at maturity on each Buffered PLUS for a range of hypothetical percentage changes in the underlying index. The graph does not illustrate every percentage change that may occur. The PLUS Zone illustrates the leveraging effect of the leverage factor taking into account the maximum payment at maturity while the Buffer Zone illustrates the buffer effect in the event of a decline in the value of the underlying index. The graph is based on the following hypothetical terms:

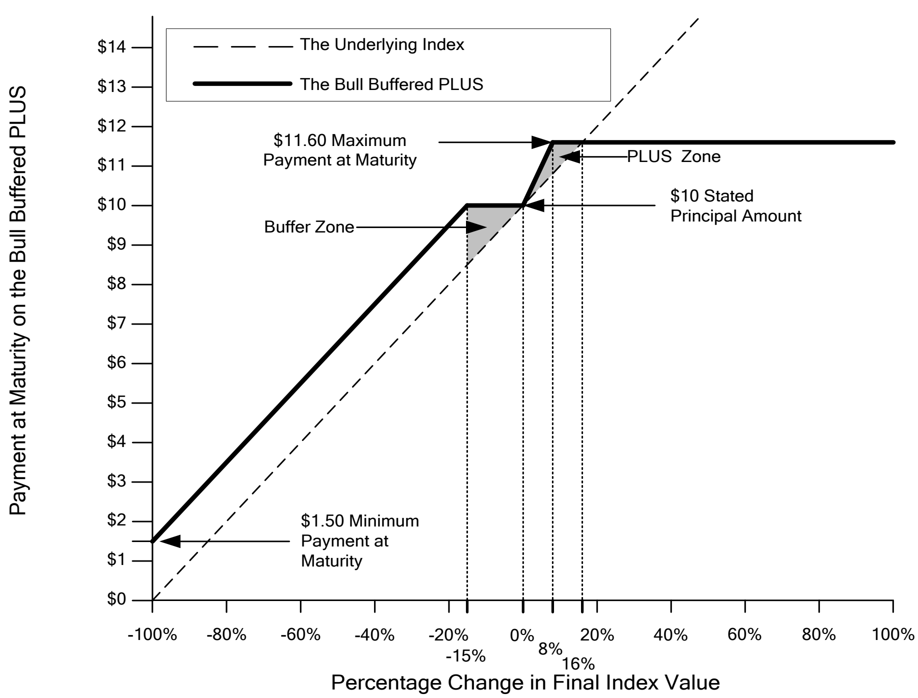
- stated principal amount: $10
- leverage factor: 200%
- minimum payment at maturity: $1.50
- initial index value: 1,000
- buffer amount: 15%
- maximum payment at maturity: $11.60 (116% of the stated principal amount)

Where the final index value is greater than the initial index value, the payment at maturity on the Buffered PLUS reflected in the graph below is greater than the $10 stated principal amount per Buffered PLUS, but in all cases is subject to the maximum payment at maturity.

Where the final index value is less than or equal to the initial index value but has decreased by an amount less than or equal to the buffer amount from the initial index value, the payment at maturity on the Buffered PLUS reflected in the graph below is $10.

Where the final index value is less than the initial index value and has decreased by an amount greater than the buffer amount from the initial index value, the payment at maturity on the Buffered PLUS reflected in the graph below is less than the $10 stated principal amount per Buffered PLUS, but in all cases is subject to the minimum payment at maturity.

In the hypothetical example below, you will realize the maximum payment at maturity at a final index value of 108% of the hypothetical initial index value. For example, for a hypothetical initial index value of 1,000, you would realize the maximum payment at maturity at a final index value of 1,080 because of the leverage factor. You will not share in increases in the final index value above 116% of the initial index value. In addition, because you will not receive more than the maximum payment at maturity, the effect of the leverage factor will be reduced as the final index value exceeds 108% of the initial index value.



Bull Market Buffered PLUS (Minimum Payment at Maturity = $0):

Assuming an issuance of bull market Buffered PLUS linked to underlying shares with the hypothetical terms given below, the following graph illustrates the payment at maturity on each Buffered PLUS for a range of hypothetical percentage changes in the underlying shares. The graph does not illustrate every percentage change that may occur. The PLUS Zone illustrates the leveraging effect of the leverage factor taking into account the maximum payment at maturity while the Buffer Zone illustrates the buffer effect in the event of a decline in the value of the underlying shares. The graph is based on the following hypothetical terms:

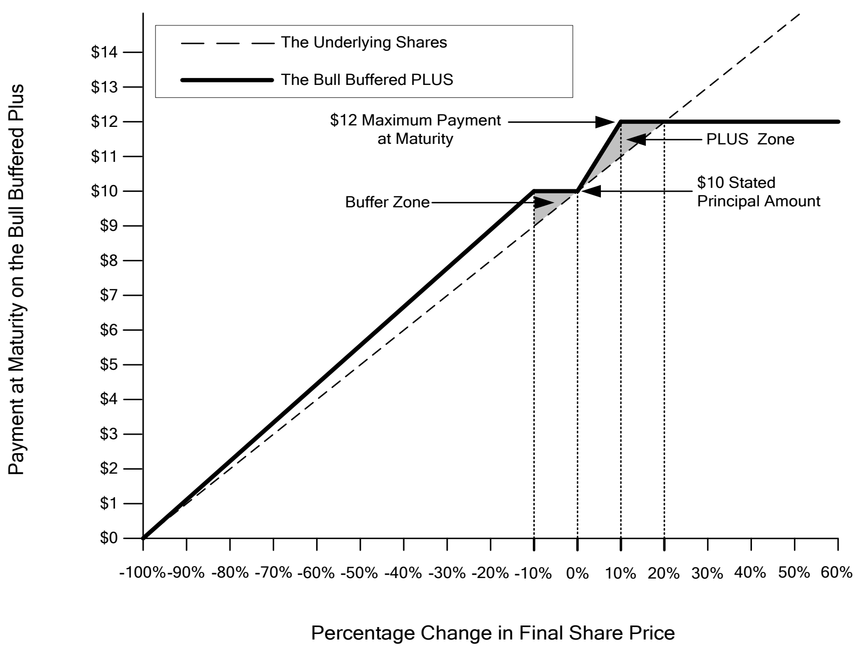
- stated principal amount: $10
- leverage factor: 200%
- minimum payment at maturity: $0
- downside factor: 1.111
- initial share price: $100
- buffer amount: 10%
- maximum payment at maturity: $12 (120% of the stated principal amount)

Where the final share price is greater than the initial share price, the payment at maturity on the Buffered PLUS reflected in the graph below is greater than the $10 stated principal amount per Buffered PLUS, but in all cases is subject to the maximum payment at maturity.

Where the final share price is less than or equal to the initial share price but has decreased by an amount less than or equal to the buffer amount from the initial share price, the payment at maturity on the Buffered PLUS reflected in the graph below is $10.

Where the final share price is less than the initial share price and has decreased by an amount greater than the buffer amount from the initial share price, the payment at maturity on the Buffered PLUS reflected in the graph below is less than the $10 stated principal amount per Buffered PLUS and reflects the downside factor of 1.111.

In the hypothetical example below, you will realize the maximum payment at maturity at a final share price of 110% of the hypothetical initial share price. For example, for a hypothetical initial share price of $100, you would realize the maximum payment at maturity at a final share price of $110 because of the leverage factor. You will not share in increases in the final share price above 120% of the initial share price. In addition, because you will not receive more than the maximum payment at maturity, the effect of the leverage factor will be reduced as the final share price exceeds 110% of the initial share price.



Bear Market Buffered PLUS (Minimum Payment at Maturity = Stated Principal Amount × Buffer Amount):

Assuming an issuance of bear market Buffered PLUS linked to underlying shares with the hypothetical terms given below, the following graph illustrates the payment at maturity on each bear market Buffered PLUS for a range of hypothetical percentage changes in the underlying shares. The graph does not illustrate every percentage change that may occur. The PLUS Zone illustrates the leveraging effect of the leverage factor taking into account the maximum payment at maturity while the Buffer Zone illustrates the buffer effect in the event of an increase in the value of the underlying shares. The graph is based on the following hypothetical terms:

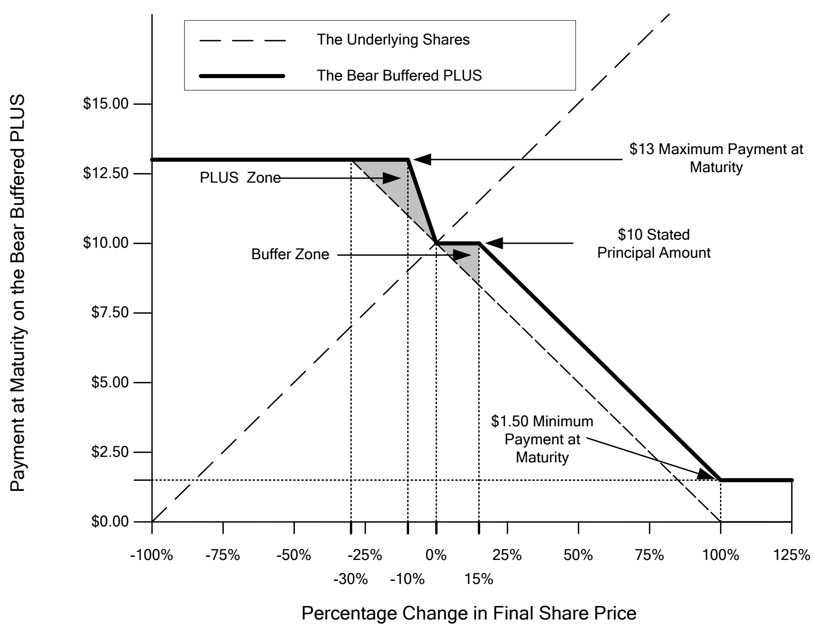
- stated principal amount: $10
- initial share price: $100
- leverage factor: 300%
- buffer amount: 15% (resulting in the buffer payment of $1.50)
- minimum payment at maturity: $1.50
- maximum payment at maturity: $13 (130% of the stated principal amount)

Where the final share price is less than the initial share price, the payment at maturity on the bear market Buffered PLUS reflected in the graph below is greater than the $10 stated principal amount per bear market Buffered PLUS, but in all cases is subject to the maximum payment at maturity.

Where the final share price is greater than or equal to the initial share price but has increased by an amount less than or equal to the buffer amount from the initial share price, the payment at maturity on the bear market Buffered PLUS reflected in the graph below is $10.

Where the final share price is greater than the initial share price and has increased by an amount greater than the buffer amount from the initial share price, the payment at maturity on the bear market Buffered PLUS reflected in the graph below is less than the $10 stated principal amount per bear market Buffered PLUS, but in all cases is subject to the minimum payment at maturity, which is equal to the stated principal amount *times* the buffer amount in the example shown below.

In the hypothetical example below, you will realize the maximum payment at maturity at a final share price of 90% of the hypothetical initial share price. For example, for a hypothetical initial share price of $100, you would realize the maximum payment at maturity at a final share price of $90 because of the leverage factor. You will not share in decreases in the final share price below 70% of the initial share price. In addition, because you will not receive more than the maximum payment at maturity, the effect of the leverage factor will be reduced as the final share price decreases below 90% of the initial share price.



PLUS linked to a basket:

For PLUS linked to a basket, it is important to note that increases in the value of one or more of the basket components may be moderated, or wholly offset, by lesser increases or declines in the value of one or more of the other basket components.

Below is an example illustrating the payment at maturity when the basket depreciates as a whole and therefore the basket performance factor is less than or equal to 1.0.

Stated principal amount = $10

The basket performance factor is less than 1.0

Basket Component	Weighting	Hypothetical Initial Value of Underlying Asset	Multiplier	Hypothetical Final Value of Underlying Asset	Percentage Change
X index	50%	500	0.1	250	- 50%
Y index	25%	100	0.25	120	+ 20%
Z exchange-traded fund	25%	$10	2.5	$13	+ 30%

Final basket value = the sum of the products of the basket component closing values of each of the basket components on the valuation date and the applicable multiplier for each of the basket components

So, using the hypothetical basket component closing values on the valuation date above:

$250 \times 0.1 = 25$; *plus* [for X index]

$120 \times 0.25 = 30$; *plus* [for Y index]

$13 \times 2.5 = 32.5$ [for Z exchange-traded fund]

= 87.5

Basket performance factor = final basket value / initial basket value

= 87.5 / 100

= 0.875

Payment at maturity = stated principal amount × basket performance factor

= $10 × 0.875

= $8.75

In the above example, Y index and Z exchange-traded fund (with a combined weighting of 50% of the basket) have each increased in value over the term of the PLUS, but the value of X index (with a weighting of 50% of the basket) has declined. Although two out of the three basket components have increased in value over the term of the PLUS, a more significant decline in the basket component with the largest weighting offsets the appreciation in the other two basket components and, consequently, the basket performance factor is less than 1.0. Therefore, the payment at maturity per PLUS will be less than the $10 stated principal amount and will equal $8.75.

PLUS with multiple valuation dates:

Presented below are hypothetical examples showing how the payment at maturity is calculated for bull market PLUS with multiple valuation dates. In these examples, we have assumed that the PLUS are linked to a single underlying index with an initial index value equal to 1,000, that the leverage factor is 200%, that the maximum payment at maturity is $15.00 and that the stated principal amount is $10.

The payment at maturity is based on the final average index value, which equals the arithmetic average of the index values of the underlying index on the valuation dates (four dates in our examples below) specified in the applicable pricing supplement. Because the value of an underlying index may be subject to significant fluctuations over the period covered by the valuation dates, it is not possible to present a chart or table illustrating the complete range of possible payments at maturity. The examples of the hypothetical payment calculations that follow are intended to illustrate the effect of general trends in the value of an underlying index on the amount payable to you at maturity. However, the underlying asset for any particular issuance of PLUS may not increase or decrease in accordance with any of the trends depicted by the hypothetical examples below.

The following three examples illustrate the payment at maturity on the PLUS for a range of hypothetical index values in a hypothetical issuance with four valuation dates and demonstrate the impact of basing the calculation of the payment at maturity on the final average index value.

	Example 1	*Example 2*	*Example 3*
	Index Value	**Index Value**	**Index Value**
1st Valuation Date	1,050	1,100	1,300
2nd Valuation Date	1,080	800	1,400
3rd Valuation Date	1,100	700	1,200
Final Valuation Date	1,600	1,100	1,000
Final Average Index Value:	**1,207.5**	**925**	**1,225**
Stated Principal Amount:	**$10**	**$10**	**$10**
Payment at Maturity on a $10 Stated Principal Amount:	**$14.15**	**$9.25**	**$14.50**

- In Example 1, the index value increases on each valuation date and, due to the averaging of the index values over the valuation dates, the final average index value of 1,207.5 is much lower than the index value of 1,600 on the final valuation date. At maturity, for each PLUS, the investor receives $14.15. The return on the PLUS at maturity represents a 41.5% increase above the stated principal amount, which is less than the simple index return of 60% over the term of the PLUS.

- In Example 2, the index value increases initially on the first valuation date, declines on the second and third valuation dates, and increases again on the final valuation date. Due to the averaging of the index values over the valuation dates, the final average index value of 925 is lower than the index value on the final valuation date and also lower than the initial index value. At maturity, for each PLUS, the investor receives $9.25. The return on the PLUS at maturity represents a 7.5% loss on the stated principal amount, despite the simple index return of positive 10% over the term of the PLUS.

- In Example 3, the index value reaches a high of 1,400 on the second valuation date and declines on subsequent valuation dates. At maturity, the final average index value of 1,225 is higher than the index value of 1,000 on the final valuation date. At maturity, for each PLUS, the investor receives $14.50. The return on the PLUS at maturity represents a 45% increase above the stated principal amount, despite the simple index return of 0% over the term of the PLUS.

RISK FACTORS

The PLUS are not secured debt, are riskier than ordinary debt securities and, unlike ordinary debt securities, the PLUS generally do not pay interest or guarantee the return of principal at maturity. The return investors realize on the PLUS is generally limited by the maximum payment at maturity. This section describes the most significant risks relating to the PLUS. You should carefully consider whether the PLUS are suited to your particular circumstances before you decide to purchase them.

PLUS generally do not pay interest or guarantee return of principal

The terms of the PLUS differ from those of ordinary debt securities in that we do not guarantee to pay you the principal amount of the PLUS at maturity and generally do not pay you interest on the PLUS. Instead, at maturity you will receive for each PLUS that you hold an amount in cash based on the final value, or final average value, of the underlying asset. **If the final value or final average value of the underlying asset is less than its initial value, in the case of bull market PLUS, or is greater than its initial value, in the case of bear market PLUS, you will lose some or all of your investment.** Buffered PLUS offer limited protection against the loss of principal for a decline in the underlying asset up to the buffer amount and, if specified in the applicable pricing supplement, provide for a minimum payment at maturity equal to the stated principal amount *times* the buffer amount.

Your appreciation potential is limited

The appreciation potential of the PLUS is generally limited by the maximum payment at maturity. Although the leverage factor provides increased exposure to any increase, in the case of a bull market PLUS, or decrease, in the case of a bear market PLUS, in the value of the underlying asset at maturity, the payment at maturity will never exceed the maximum payment at maturity, which will be a fixed percentage over the original public offering price per PLUS. Further, except for certain Buffered PLUS, you will be fully exposed to any decrease, in the case of a bull market PLUS, or increase, in the case of a bear market PLUS, in the value of the underlying asset at maturity. As a result, you may lose some or all of your investment in the PLUS.

The market price of the PLUS may be influenced by many unpredictable factors

Several factors, many of which are beyond our control, will influence the value of the PLUS in the secondary market and the price at which MS & Co. may be willing to purchase or sell the PLUS in the secondary market, including:

- the value of the underlying asset at any time,
- the volatility (frequency and magnitude of changes in value) of the underlying asset,
- interest and yield rates in the market,
- the dividend rate on the stocks constituting any underlying index, basket index or any index underlying the ETF shares (a “share underlying index”);
- geopolitical conditions and economic, financial, political and regulatory or judicial events that affect the securities constituting any underlying index, basket index or share underlying index or stock markets generally and which may affect the final value (or final average value) of the underlying asset,
- the time remaining to the maturity of the PLUS, and
- any actual or anticipated changes in our credit ratings or credit spreads.

Some or all of these factors will influence the price that you will receive if you sell your PLUS prior to maturity. For example, you may have to sell your PLUS at a substantial discount from the principal amount if, in the case of a bull market PLUS, at the time of sale or on earlier valuation dates, if any, the underlying asset is at, below or not sufficiently above its initial value or, in the case of a bear market PLUS, the underlying asset is at, above or not sufficiently below its initial value, or if market interest rates rise.

You can review the historical prices of the underlying asset in the section called "Historical Information" in the applicable pricing supplement. You cannot predict the future performance of the underlying asset based on its historical performance. The value of the applicable underlying asset may decrease, in the case of a bull market PLUS, or increase, in the case of a bear market PLUS, so that you will receive at maturity a payment that is less than the principal amount of the PLUS by an amount proportionate to the decrease or increase, respectively, in the value of the underlying asset. In addition, there can be no assurance that the value of the underlying asset will increase or decrease, respectively, so that you will receive at maturity an amount in excess of the principal amount of the PLUS. Nor can there be any assurance that the value of the underlying asset will not increase or decrease, respectively, beyond a specified percentage of the initial value of the underlying asset, in which case you will only receive the maximum payment at maturity.

The PLUS are subject to the credit risk of Morgan Stanley, and any actual or anticipated changes to its credit ratings or credit spreads may adversely affect the market value of the PLUS

You are dependent on Morgan Stanley's ability to pay all amounts due on the PLUS at maturity, and, therefore, you are subject to the credit risk of Morgan Stanley. If Morgan Stanley defaults on its obligations under the PLUS, your investment would be at risk and you could lose some or all of your investment. As a result, the market value of the PLUS prior to maturity will be affected by changes in the market's view of Morgan Stanley's creditworthiness. Any actual or anticipated decline in Morgan Stanley's credit ratings or increase in the credit spreads charged by the market for taking Morgan Stanley credit risk is likely to adversely affect the market value of the PLUS.

The PLUS will not be listed on any securities exchange and secondary trading may be limited

The PLUS will not be listed on any securities exchange and there may be little or no secondary market for the PLUS. Our affiliate, MS & Co., may, but is not obligated to, make a market in the PLUS. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the PLUS easily. Because we do not expect that other broker-dealers will participate significantly in the secondary market for the PLUS, the price at which you may be able to trade your PLUS is likely to depend on the price, if any, at which MS & Co. is willing to transact. If MS & Co. were not to make a market in the PLUS, it is likely that there would be no secondary market for the PLUS. Accordingly, you should be willing to hold your PLUS to maturity.

Changes in the value of one or more of the basket components may offset each other

For PLUS linked to a basket, price movements in the basket components may not correlate with each other. At a time when the value of one or more of the basket components increases, the value of one or more of the other basket components may not increase as much or may even decline. Therefore, in calculating the basket closing value on any valuation date, increases in the value of one or more of the basket components may be moderated, or wholly offset, by lesser increases or declines in the value of one or more of the other basket components. You cannot predict the future performance of any of the basket components or of the basket as a whole, or whether increases in the values of any of the basket components will be offset by decreases in the values of other basket components, based on their historical performance.

The basket components may not be equally weighted

For PLUS linked to a basket, the basket components may have different weightings in the underlying basket. In such case, the same percentage change in two of the basket components could have different effects on the basket closing value because of the unequal weightings. For example, if the weighting of one basket component is greater than the weighting of another basket component, a 5% *decrease* in the value of the basket component with the greater weighting will have a greater impact on the basket closing value than a 5% *increase* in the value of the basket component with the lesser weighting.

In the case of PLUS with multiple valuation dates, the PLUS may pay less than the stated principal amount at maturity even where the value of the underlying asset on the final valuation date is higher than its initial value

For bull market PLUS with multiple valuation dates, you will receive a payment at maturity that is greater than the stated principal amount of the PLUS only if the *arithmetic average* of the values of the underlying asset on each of the valuation dates is greater than its initial value. A value of the underlying asset which is higher than its initial value on any *one* valuation date may be partially or entirely offset by a value of the underlying asset which is lower than its initial value on any *other* valuation date. Consequently, it is possible that you will receive at maturity an amount less than the stated principal amount for each PLUS you hold, even if the underlying asset has appreciated substantially as of the final valuation date.

For bear market PLUS with multiple valuation dates, you will receive a payment at maturity that is greater than the stated principal amount of the PLUS only if the *arithmetic average* of the values of the underlying asset on each of the valuation dates is less than its initial value. A value of the underlying asset which is less than its initial value on any *one* valuation date may be partially or entirely offset by a value of the underlying asset which is greater than its initial value. Consequently, it is possible that you will receive at maturity an amount less than the stated principal amount for each PLUS you hold, even if the underlying asset has depreciated substantially as of the final valuation date.

The inclusion of commissions and projected profit from hedging in the original issue price is likely to adversely affect secondary market prices

Assuming no change in market conditions or any other relevant factors, the price, if any, at which MS & Co. is willing to purchase the PLUS at any time in secondary market transactions will likely be significantly lower than the original issue price, since secondary market prices are likely to exclude commissions paid with respect to the PLUS and the cost of hedging our obligations under the PLUS that are included in the original issue price. The cost of hedging includes the projected profit that our subsidiaries may realize in consideration for assuming the risks inherent in managing the hedging transactions. These secondary market prices are also likely to be reduced by the costs of unwinding the related hedging transactions. Our subsidiaries may realize a profit from the expected hedging activity even if investors do not receive a favorable investment return under the terms of the PLUS or in any secondary market transaction. In addition, any secondary market prices may differ from values determined by pricing models used by MS & Co., as a result of dealer discounts, mark-ups or other transaction costs.

Adjustments to the underlying index or any basket index could adversely affect the value of the PLUS

The underlying index publishers are responsible for calculating and maintaining the underlying index or any basket index. Underlying index publishers can add, delete or substitute the stocks constituting the underlying index or any basket index or make other methodological changes that could change the value of the underlying index or any basket index. Any of these actions could adversely affect the value of the PLUS. The underlying index publishers have no obligation to consider your interests in calculating or revising the underlying index or any basket index.

The underlying index publishers may discontinue or suspend calculation or publication of the underlying index or any basket index at any time. In these circumstances, MS & Co., as the Calculation Agent, will have the sole discretion to substitute a successor index that is comparable to the discontinued index. MS & Co. could have an economic interest that is different than that of investors in the PLUS insofar as, for example, MS & Co. is permitted to consider indices that are calculated and published by MS & Co. or any of its affiliates. If MS & Co. determines that there is no appropriate successor index, at maturity the payout on the PLUS will be an amount based on the closing prices at maturity of the stocks underlying the discontinued index at the time of such discontinuance, without rebalancing or substitution, computed by the Calculation Agent in accordance with the formula for calculating the index last in effect prior to discontinuance of such index.

Adjustments to the ETF shares or to the share underlying index could adversely affect the value of the PLUS

The index publisher of a share underlying index is responsible for calculating and maintaining such index. Such index publisher can add, delete or substitute the stocks underlying the share underlying index or make other methodological changes that could change the value of the share underlying index. In addition, pursuant to its investment strategy or otherwise, the investment adviser of the exchange-traded fund relating to the ETF shares may add, delete or substitute the stocks composing such exchange-traded fund. Any of these actions could adversely affect the price of the ETF shares and, consequently, the value of the PLUS.

The ETF shares are different from the share underlying index

The performance of any ETF shares may not exactly replicate the performance of the relevant share underlying index because the exchange-traded fund relating to the ETF shares will reflect transaction costs and fees that are not included in the calculation of the share underlying index. It is also possible that such exchange-traded fund may not fully replicate or may in certain circumstances diverge significantly from the performance of the share underlying index due to the temporary unavailability of certain securities in the secondary market, the performance of any derivative instruments contained in such exchange-traded fund, differences in trading hours between such exchange-traded fund and the share underlying index or due to other circumstances. Additionally, the investment adviser of such exchange-traded fund may have authorization to invest up to a certain percentage of such exchange-traded fund's assets in shares of other exchange-traded funds that seek to track the performance of equity securities of similar constituent countries or industries of the share underlying index.

The antidilution adjustments the Calculation Agent is required to make do not cover every event that could affect the ETF shares

MS & Co., as Calculation Agent, will adjust the amount payable at maturity for certain events affecting any ETF shares. However, the Calculation Agent will not make an adjustment for every event that could affect the ETF shares. If an event occurs that does not require the Calculation Agent to adjust the amount payable at maturity, the market price of the PLUS may be materially and adversely affected.

There are risks associated with investments in PLUS linked to the value of indices of foreign equity securities

Investments in PLUS linked to the value of indices of foreign equity securities involve risks associated with the foreign securities market, including volatility, governmental intervention and cross-shareholdings among companies in the foreign index. Also, there is generally less publicly available information about foreign companies than about U.S. companies that are subject to the reporting requirements of the Securities and Exchange Commission, and foreign companies are subject to accounting, auditing and financial reporting standards and requirements different from those applicable to U.S. reporting companies.

The prices of securities in foreign markets may be affected by political, economic, financial and social factors in those countries, or global regions, including changes in government, economic and fiscal policies and currency exchange laws. Local securities markets may trade a small number of securities and may be unable to respond effectively to increases in trading volume, potentially making prompt liquidation of holdings difficult or impossible at times. Moreover, the economies in such countries may differ favorably or unfavorably from the economy in the United States in such respects as growth of gross national product, rate of inflation, capital reinvestment, resources and self-sufficiency.

PLUS linked to certain indices are subject to currency exchange risk

For certain indices, the prices of the component securities are converted into U.S. dollars for purposes of calculating the index value. Holders of PLUS linked to such indices will be exposed to currency exchange rate risk with respect to each of the currencies represented in the relevant indices. An investor's net exposure will depend on the extent to which the currencies of the securities included in the relevant index strengthen or weaken against the U.S. dollar and the relative weight of each of those securities within the overall index. If, taking into account such weighting, the dollar strengthens against the component currencies, the value of the relevant index will be adversely affected and the payment at maturity of the PLUS may be reduced.

Of particular importance to potential currency exchange risk are:

- existing and expected rates of inflation;

- existing and expected interest rate levels;
- the balance of payments; and
- the extent of governmental surpluses or deficits in the countries represented in the relevant index and the United States.

All of these factors are in turn sensitive to the monetary, fiscal and trade policies pursued by the governments of the countries represented in the relevant index and the United States and other countries important to international trade and finance.

The Calculation Agent, which is a subsidiary of the issuer, will make determinations with respect to the PLUS.

As Calculation Agent, MS & Co. will determine the initial index value, the initial share price, the initial basket value, the final index value (or final average index value), the final share price (or final average share price), the final basket value (or final average basket value), the multipliers, as applicable, the percentage change in the underlying asset, the payment at maturity and whether a market disruption event has occurred. Determinations made by MS & Co., in its capacity as Calculation Agent, including with respect to the occurrence or non-occurrence of market disruption events and the selection of a successor index or calculation of the value of any underlying asset in the event of a discontinuance of the relevant underlying asset, may affect the payout to you at maturity. See the definition of market disruption event under "Description of PLUS—General Terms of PLUS—Some Definitions" and the discussion under "Description of PLUS—Discontinuance of Any Underlying Index or Basket Index; Alteration of Method of Calculation" or "—Discontinuance of Any ETF Shares and/or Share Underlying Index; Alteration of Method of Calculation."

Investing in the PLUS is not equivalent to investing in the underlying asset

Investing in the PLUS is not equivalent to investing in the underlying index, underlying shares, share underlying index or individual basket components, or their component stocks. As an investor in the PLUS, you will not have voting rights or rights to receive dividends or other distributions or any other rights with respect to any underlying shares or to the stocks that constitute the underlying index, any basket index or any share underlying index.

Hedging and trading activity by our subsidiaries could potentially adversely affect the value of the PLUS

One or more of our subsidiaries will carry out hedging activities related to the PLUS (and possibly to other instruments linked to the underlying asset, or to any of the component stocks of the underlying index, any share underlying index or any basket component, as applicable), including trading in the stocks that constitute the underlying index, any share underlying index or any basket component as well as in other instruments related to the underlying asset. Some of our subsidiaries also trade the stocks that constitute the underlying index, any share underlying index or any basket component and other financial instruments related to the underlying asset on a regular basis as part of their general broker-dealer and other businesses. Any of these hedging or trading activities on or prior to the pricing date or any basket component setting date could potentially affect the value of the underlying asset on the pricing date or on any basket component setting date and, therefore affect the value at which the underlying asset must close on the valuation date before you would receive a payment at maturity that exceeds the stated principal amount of the PLUS. Additionally, such hedging or trading activities during the term of the PLUS, including on any valuation date(s), could adversely affect the value of the underlying asset and, accordingly, the amount of cash you will receive upon a sale of the PLUS or at maturity.

The U.S. federal income tax consequences of an investment in the PLUS are uncertain

Except as otherwise provided in the applicable pricing supplement, although the U.S. federal income tax consequences of an investment in the PLUS are uncertain, we believe that, under current law, the PLUS should be treated as a single financial contract that is an "open transaction" for U.S. federal income tax purposes. If the Internal Revenue Service (the "IRS") were successful in asserting an alternative treatment for the PLUS, the timing and character of income on the PLUS might differ significantly from the tax treatment described in this product supplement. We do not plan to request a ruling from the IRS regarding the tax treatment of the PLUS, and the IRS or a court may not agree with the tax treatment described in the section entitled "United States Federal Taxation" in this product supplement.

For a PLUS linked to an equity interest in one of a specified list of entities, there is a substantial risk that an investment in the PLUS will be treated as a "constructive ownership transaction." If this treatment applies, all or a portion of any long-term capital gain of a U.S. investor in respect of the PLUS could be recharacterized as ordinary income (and an interest charge would be imposed). U.S. investors should read the section entitled "United States Federal Taxation—Tax Consequences to U.S. Holders—Possible Application of Section 1260 of the Code" in this product supplement.

In 2007, the U.S. Treasury Department and the IRS released a notice requesting comments on the U.S. federal income tax treatment of "prepaid forward contracts" and similar instruments, such as the PLUS. The notice focuses in particular on whether to require holders of these instruments to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; whether short-term instruments should be subject to any such accrual regime; the relevance of factors such as the exchange-traded status of the instruments and the nature of the underlying property to which the instruments are linked; the degree, if any, to which income (including any mandated accruals) realized by non-U.S. investors should be subject to withholding tax; and whether these instruments are or should be subject to the "constructive ownership" regime (as discussed above). While the notice requests comments on appropriate transition rules and effective dates, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the PLUS, possibly with retroactive effect.

Please read carefully the section of this product supplement called "United States Federal Taxation" concerning the U.S. federal income tax consequences of an investment in the PLUS. Both U.S. and non-U.S. investors should consult their tax advisers regarding all aspects of the U.S. federal tax consequences of an investment in the PLUS, including possible alternative treatments, the issues presented by the notice, and any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

DESCRIPTION OF PLUS

Investors should carefully read the general terms and provisions of our debt securities in "Description of Debt Securities" in the prospectus. This section supplements that description. **The pricing supplement will specify the particular terms for each issuance of PLUS, and may supplement, modify or replace any of the information in this section and in "Description of Debt Securities" in the prospectus.** References in this product supplement to a PLUS shall refer to the stated principal amount specified as the denomination for that issuance of PLUS in the applicable pricing supplement.

The following terms used in this section are defined in the indicated sections of the accompanying prospectus:

- Senior Debt Indenture ("Description of Debt Securities—Indentures")
- senior indebtedness ("Description of Debt Securities—Subordination Provisions")

General Terms of PLUS

We will issue the PLUS as part of our Series F medium-term notes under the Senior Debt Indenture. The Series F medium-term notes issued under the Senior Debt Indenture, together with our senior Series G and Series H global medium-term notes, referred to below under "Plan of Distribution (Conflicts of Interest)," will constitute a single series under that indenture, together with any other obligations we issue in the future under the Senior Debt Indenture that we designate as being part of that series. The Senior Debt Indenture does not limit the amount of additional indebtedness that we may incur. We may, without your consent, create and issue additional PLUS with the same terms as previous issuances of PLUS, so that the additional PLUS will be considered as part of the same issuance as the earlier PLUS.

Ranking. PLUS issued under the Senior Debt Indenture will rank on a parity with all of our other senior indebtedness and with all of our other unsecured and unsubordinated indebtedness, subject to statutory exceptions in the event of liquidation upon insolvency.

Terms Specified in Pricing Supplements. A pricing supplement will specify the following terms of any issuance of PLUS to the extent applicable:

- the issue price (price to public);
- the stated principal amount per PLUS;
- the aggregate principal amount;
- the denominations or minimum denominations;
- whether the PLUS are bull market PLUS or bear market PLUS;
- whether the PLUS are buffered;
- the original issue date;
- the stated maturity date and any terms related to any extension of the maturity date not otherwise set forth in this product supplement;
- the underlying asset;
- if the PLUS are linked to a basket, the applicable multiplier for each basket component;
- the value of the underlying asset on the pricing date or basket setting date, as applicable;
- the valuation date(s);
- the leverage factor;

- the downside factor, if applicable;
- the maximum and/or minimum payment at maturity, if applicable;
- the rate per year at which the PLUS will bear interest, if any, or the method of calculating that rate and the dates on which interest will be payable;
- whether the PLUS may be redeemed, in whole or in part, at our option or repaid at your option, prior to the stated maturity date, and the terms of any redemption or repayment;
- if any PLUS are not denominated and payable in U.S. dollars, the currency or currencies in which the principal, premium, if any, and interest, if any, will be paid, which we refer to as the "specified currency," along with any other terms relating to the non-U.S. dollar denomination;
- whether the PLUS will be listed on any stock exchange;
- whether the PLUS will be issued in book-entry or certificated form;
- if the PLUS are in book-entry form, whether the PLUS will be offered on a global basis to investors through Euroclear and Clearstream, Luxembourg as well as through the Depositary (each as defined below); and
- any other terms on which we will issue the PLUS.

Some Definitions. We have defined some of the terms that we use frequently in this product supplement below:

"**adjustment factor**" means, for PLUS linked to ETF shares, a number which is initially 1.0 and will be subject to adjustment for certain events affecting the ETF shares. See "—Antidilution Adjustments for PLUS linked to Exchange-Traded Funds" below.

"**basket**" means any basket of indices and/or shares of exchange-traded funds that the PLUS may be linked to.

"**basket closing value**" on any date is the sum of the products of the basket component closing values of each of the basket components and the applicable multiplier for each of the basket components. In certain circumstances, the basket closing value will be based on the alternate calculation of any basket indices described under "—Discontinuance of Any Underlying Index or Basket Index; Alteration of Method of Calculation" and/or of any basket ETFs described under "—Discontinuance of Any ETF Shares and/or Share Underlying Index; Alteration of Method of Calculation."

"**basket component**" means, for any PLUS linked to a basket, each basket index or basket ETF that is included in the basket.

"**basket component closing value**" means, on any day, (i) the index closing value on such day for any basket index or (ii) the share closing price *times* the adjustment factor on such day for the shares of any basket ETF, as applicable.

"**basket component setting date**" means the pricing date, unless otherwise specified in the applicable pricing supplement. If the scheduled basket component setting date is not an index business day with respect to any basket index, or is not a trading day with respect to any basket ETF and/or there is a market disruption event on such day with respect to any basket component, then the basket component setting date solely with respect to such basket component will be the next succeeding index business day or trading day, as applicable, on which there is no market disruption event with respect to such basket component.

"**basket ETF**" means, for PLUS linked to a basket, any component exchange-traded fund of the underlying basket.

"**basket index**" means, for PLUS linked to a basket, any component index of the underlying basket.

"**basket setting date**" means the date that is the last basket component setting date.

"**buffer amount**" means:

- *for bull market Buffered PLUS*, the percentage specified in the applicable pricing supplement by which the final index value, final share price or final basket value, as applicable, may decline from the initial index value, initial share price or initial basket value, as applicable, before you will lose any part of the stated principal amount per Buffered PLUS; or

- *for bear market Buffered PLUS*, the percentage specified in the applicable pricing supplement by which the final index value, final share price or final basket value, as applicable, may increase from the initial index value, initial share price or initial basket value, as applicable, before you will lose any part of the stated principal amount per Buffered PLUS.

"**buffer payment**" means an amount equal to the product of the stated principal amount and the buffer amount.

"**business day**" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in The City of New York.

"**Clearstream, Luxembourg**" means Clearstream Banking, *société anonyme*.

"**Depositary**" means The Depository Trust Company ("DTC"), New York, New York.

"**downside factor**" means, for bull market Buffered PLUS, the factor specified in the applicable pricing supplement by which any percentage decline in the underlying index, underlying shares or basket, as applicable, beyond the buffer amount is multiplied.

"**ETF shares**" means the underlying shares or shares of any basket ETF, as applicable.

"**Euroclear operator**" means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

"**final average basket value**" means, for PLUS linked to a basket with multiple valuation dates, the arithmetic average of the basket closing values on each of the valuation dates as calculated by the Calculation Agent on the final valuation date.

"**final average index value**" means, for PLUS linked to a single index with multiple valuation dates, the arithmetic average of the index closing values of the underlying index on each of the valuation dates as calculated by the Calculation Agent on the final valuation date.

"**final average share price**" means, for PLUS linked to an exchange-traded fund with multiple valuation dates, the arithmetic average of the products of the share closing price of one ETF share and the adjustment factor for such ETF share, each as determined by the Calculation Agent on each of the valuation dates, as calculated by the Calculation Agent on the final valuation date.

"**final basket value**" means the basket closing value on the valuation date.

"**final index value**" means the index closing value of the underlying index on the valuation date.

"**final share price**" means the share closing price of one underlying share *times* the adjustment factor, each as determined by the Calculation Agent on the valuation date.

"**index business day**" means a day, for an underlying index or each basket index separately, as determined by the Calculation Agent, on which trading is generally conducted on each of the relevant exchange(s) for such underlying index or basket index, other than a day on which trading on such exchange(s) is scheduled to close prior to the time of the posting of its regular final weekday closing price.

"**index closing value**" means, on any index business day for the relevant underlying index or a basket index, as applicable, the closing value of the underlying index or a basket index, as applicable, or any successor index (as defined under "—Discontinuance of Any Underlying Index or Basket Index; Alteration of Method of Calculation" below) published at the regular weekday close of trading on that index business day by the underlying index publisher. In certain circumstances, the index closing value will be based on the alternate calculation of the underlying index or basket index as described under "—Discontinuance of Any Underlying Index or Basket Index; Alteration of Method of Calculation."

"**initial basket value**" means a value set at 100 on the basket setting date, unless otherwise specified in the applicable pricing supplement.

"**initial index value**" means the index closing value of the underlying index on the pricing date or such other date as may be specified in the applicable pricing supplement.

"**initial share price**" means the share closing price of one underlying share on the pricing date or such other date as may be specified in the applicable pricing supplement.

"**issue price**" means the amount per PLUS specified in the applicable pricing supplement and will equal the principal amount of each PLUS, unless otherwise specified.

"**leverage factor**" means the percentage specified in the applicable pricing supplement.

"**market disruption event**" means,

(A) with respect to the underlying index or any basket index, the occurrence or existence of any of the following events, as determined by the Calculation Agent in its sole discretion:

(i) (a) a suspension, absence or material limitation of trading of stocks then constituting 20 percent or more of the value of the underlying index or basket index (or the successor index) on the relevant exchanges for such securities for more than two hours of trading or during the one-half hour period preceding the close of the principal trading session on such relevant exchange; or

(b) a breakdown or failure in the price and trade reporting systems of any relevant exchange as a result of which the reported trading prices for stocks then constituting 20 percent or more of the value of the underlying index or basket index or (or the successor index) during the last one-half hour preceding the close of the principal trading session on such relevant exchange are materially inaccurate; or

(c) the suspension, material limitation or absence of trading on any major U.S. securities market for trading in futures or options contracts or exchange-traded funds related to the underlying index or basket index (or the successor index) for more than two hours of trading or during the one-half hour period preceding the close of the principal trading session on such market; and

(ii) a determination by the Calculation Agent in its sole discretion that any event described in clause (i) above materially interfered with our ability or the ability of any of our affiliates to unwind or adjust all or a material portion of the hedge position with respect to the PLUS.

For the purpose of determining whether a market disruption event exists at any time, if trading in a security included in the underlying index or any basket index is materially suspended or materially limited at that time, then the relevant percentage contribution of that security to the value of the underlying index or basket index shall be based on a comparison of (x) the portion of the value of the underlying index or basket index attributable to that security relative to (y) the overall value of the underlying index or basket index, in each case immediately before that suspension or limitation.

For the purpose of determining whether a market disruption event has occurred: (1) a limitation on the hours or number of days of trading will not constitute a market disruption event if it results from an announced change in the regular business hours of the relevant exchange or market, (2) a decision to permanently discontinue trading in the relevant futures or options contract or exchange-traded fund will not constitute a market disruption event, (3) a suspension of trading in futures or options contracts or exchange-traded funds on an underlying index or any basket index by the primary securities market trading in such contracts or funds by reason of (a) a price change exceeding limits set by such securities exchange or market, (b) an imbalance of orders relating to such contracts or funds, or (c) a disparity in bid and ask quotes relating to such contracts or funds will constitute a suspension, absence or material limitation of trading in futures or options contracts or exchange-traded funds related to the underlying index or basket index and (4) a "suspension, absence or material limitation of trading" on any relevant exchange or on the primary market on which futures or options contracts or exchange-traded funds related to the underlying index or any basket index are traded will not include any time when such securities market is itself closed for trading under ordinary circumstances.

(B) with respect to any ETF shares, the occurrence or existence of any of the following events, as determined by the Calculation Agent in its sole discretion:

(i) the occurrence or existence of a suspension, absence or material limitation of trading of the ETF shares on the primary market for the ETF shares for more than two hours of trading or during the one-half hour period preceding the close of the principal trading session in such market; or a breakdown or failure in the price and trade reporting systems of the primary market for the ETF shares as a result of which the reported trading prices for the ETF shares during the last one-half hour preceding the close of the principal trading session in such market are materially inaccurate; or the suspension, absence or material limitation of trading on the primary market for trading in futures or options contracts related to the ETF shares, if available, during the one-half hour period preceding the close of the principal trading session in the applicable market;

(ii) the occurrence or existence of a suspension, absence or material limitation of trading of stocks then constituting 20 percent or more of the value of the share underlying index on the relevant exchanges for such securities for more than two hours of trading or during the one-half hour period preceding the close of the principal trading session on such relevant exchanges; or

(iii) the suspension, material limitation or absence of trading on any major U.S. securities market for trading in futures or options contracts related to the share underlying index or the ETF shares for more than two hours of trading or during the one-half hour period preceding the close of the principal trading session on such market; and

(iv) a determination by the Calculation Agent in its sole discretion that any event described in clause (i), (ii) or (iii) above materially interfered with our ability or the ability of any of our affiliates to unwind or adjust all or a material portion of the hedge position with respect to the PLUS linked to ETF shares.

For the purpose of determining whether a market disruption event exists at any time, if trading in a security included in the share underlying index is materially suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the share underlying index shall be based on a comparison of (x) the portion of the level of the share underlying index attributable to that security relative to (y) the overall level of the share underlying index, in each case immediately before that suspension or limitation.

For the purpose of determining whether a market disruption event has occurred: (1) a limitation on the hours or number of days of trading will not constitute a market disruption event if it results from an announced change in the regular business hours of the relevant exchange or market, (2) a decision to permanently discontinue trading in the ETF shares or in futures or options contract related to the share underlying index or the ETF shares will not constitute a market disruption event, (3) a suspension of trading in futures or options contracts on the share underlying index or the ETF shares by the primary securities market trading in such contracts by reason of (a) a price change exceeding limits set by such securities exchange or market, (b) an imbalance of orders relating to such contracts or (c) a disparity in bid and ask quotes relating to such contracts will constitute a suspension, absence or material limitation of trading in futures or options contracts related to the share underlying index or the ETF shares and (4) a "suspension, absence or material limitation of trading" on any relevant exchange or on the primary market on which futures or options contracts related to the share underlying index or the ETF shares are traded will not include any time when such securities market is itself closed for trading under ordinary circumstances. Upon any permanent discontinuance of trading in the ETF shares, see "—Discontinuance of Any ETF Shares and/or Share Underlying Index; Alteration of Method of Calculation" below.

"**maturity date**" means the date specified in the applicable pricing supplement, subject to extension if the valuation date or final valuation date, as applicable, is postponed. If the valuation date or final valuation date, as applicable, is postponed so that it falls less than two business days prior to the scheduled maturity date, the maturity date will be postponed to the second business day following the valuation date or final valuation date, as applicable, as postponed. See "—Postponement of Valuation Date(s)" below.

"**maximum payment at maturity**" means the amount specified as such in the applicable pricing supplement.

"**minimum payment at maturity**" means $0, unless otherwise specified in the applicable pricing supplement.

"**multiplier**" means, for PLUS linked to a basket, the fractional value assigned to each basket component so that each basket component will represent its applicable weighting in the predetermined initial basket value. The multipliers for each of the basket components, which will be specified in the applicable pricing supplement, will be calculated by the Calculation Agent on the relevant basket component setting date and will remain constant for the term of the PLUS.

For example, assuming an initial basket value of 100, the multiplier for a hypothetical basket index with a 40% weighting, whose index closing value on the basket setting date was 2,000, would be calculated as follows:

$$2{,}000 \times \text{multiplier} = 100 \times 40\%$$

Therefore,

$$\text{multiplier} = 40 / 2{,}000 = 0.02$$

"**original issue date**" means the date specified in the applicable pricing supplement on which a particular issuance of PLUS will be issued.

"**payment at maturity**" means the payment due at maturity with respect to each PLUS, as described under "—Payment at Maturity" below.

"**pricing date**" means the day when we price the PLUS for initial sale to the public.

"**relevant exchange**" means, (a) with respect to the underlying index or any basket index, the primary exchange(s) or market(s) of trading for (i) any security then included in such underlying index or basket index, or any successor index and (ii) any futures or options contracts related to such underlying index or basket index or to any security then included in such underlying index or basket index, and (b) with respect to any ETF shares, the primary exchange(s) or market(s) of trading for any security (or any combination thereof) then included in the share underlying index or any successor index.

"**share closing price**" for the ETF shares (or one unit of any other security for which a share closing price must be determined) on any trading day means:

(i) if the ETF shares (or any such other security) are listed on a national securities exchange (other than The NASDAQ Stock Market LLC ("NASDAQ")), the last reported sale price, regular way, of the principal trading session on such day on the principal national securities exchange registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), on which the ETF shares (or any such other security) are listed,

(ii) if the ETF shares (or any such other security) are securities of NASDAQ, the official closing price published by NASDAQ on such day, or

(iii) if the ETF shares (or any such other security) are not listed on any national securities exchange but are included in the OTC Bulletin Board Service (the "OTC Bulletin Board") operated by the Financial Industry Regulatory Authority, Inc. ("FINRA"), the last reported sale price of the principal trading session on the OTC Bulletin Board on such day.

If the ETF shares (or any such other security) are listed on any national securities exchange but the last reported sale price or the official closing price published by NASDAQ, as applicable, is not available pursuant to the preceding sentence, then the share closing price for one ETF share (or one unit of any such other security) on any trading day will mean the last reported sale price of the principal trading session on the over-the-counter market as reported on NASDAQ or the OTC Bulletin Board on such day. If a market disruption event (as defined above) occurs with respect to the ETF shares (or any such other security) or the last reported sale price or the official closing price published by NASDAQ, as applicable, for the ETF shares (or any such other security) is not available pursuant to either of the two preceding sentences, then the share closing price for any trading day will be the mean, as determined by the Calculation Agent, of the bid prices for the ETF shares (or any such other security) for such trading day obtained from as many recognized dealers in such security, but not exceeding three, as will make such bid prices available to the Calculation Agent. Bids of Morgan Stanley & Co. LLC ("MS & Co.") and its successors or any of its affiliates may be included in the calculation of such mean, but only to the extent that any such bid is the highest of the bids obtained. If no bid prices are provided from any third party dealers, the share closing price will be determined by the Calculation Agent in its sole and absolute discretion (acting in good faith) taking into account any information that it deems relevant. The term "OTC Bulletin Board Service" will include any successor service thereto. This definition of "share closing price" is subject to the provisions under "—Discontinuance of Any ETF Shares and/or Share Underlying Index; Alteration of Method of Calculation" below.

"**share underlying index**" means the index which the relevant ETF shares generally seek to track.

"**stated principal amount**" for an issuance of PLUS shall be the principal amount per PLUS, as specified in the applicable pricing supplement.

"**trading day**" means a day, as determined by the Calculation Agent, on which trading is generally conducted on the New York Stock Exchange, NASDAQ, the Chicago Mercantile Exchange and the Chicago Board of Options Exchange and in the over-the-counter market for equity securities in the United States.

"**underlying index**" means the index specified in the applicable pricing supplement, the performance of which underlies the PLUS.

"**underlying index publisher**" means the publisher of the applicable underlying index or basket index.

"**underlying shares**" means the shares of the exchange-traded fund specified in the applicable pricing supplement, the performance of which underlies the PLUS.

"**valuation date**" or "**valuation dates**" with respect to an issuance of PLUS will be specified in the applicable pricing supplement. If there is only one valuation date, the final index value, final share price or final basket value, as applicable, will be determined on that valuation date. If there are multiple valuation dates, then the final average index value, final average share price or final average basket value, as applicable, will be determined on the last valuation date, which we refer to as the "**final valuation date**."

"**weighting**" of a basket component in a basket means the percentage of the whole basket initially assigned to such basket component. The weightings will be specified in the applicable pricing supplement.

References in this product supplement to "**U.S. dollar**," or "**U.S.$**" or "**$**" are to the currency of the United States of America.

In this "Description of PLUS," references to the underlying index, a basket index or share underlying index will include the index or indices specified in the applicable pricing supplement and any successor index or indices, unless the context requires otherwise.

Other terms of the PLUS are described in the following paragraphs.

Payment at Maturity

At maturity, upon delivery of the PLUS to the Trustee, we will pay with respect to each PLUS an amount in cash equal to:

- **for a bull market PLUS**,
  - *if the final index value (or final average index value), final share price (or final average share price) or final basket value (or final average basket value), as applicable, is greater than the initial index value, initial share price or initial basket value, as applicable*, the lesser of (a) the stated principal amount *plus* the leveraged upside payment and (b) the maximum payment at maturity, or
  - *if the final index value (or final average index value), final share price (or final average share price) or final basket value (or final average basket value), as applicable, is less than or equal to the initial index value, initial share price or initial basket value*, the stated principal amount *times* the index performance factor, share performance factor or basket performance factor, as applicable.
- **for a bear market PLUS**,
  - *if the final index value (or final average index value), final share price (or final average share price) or final basket value (or final average basket value), as applicable, is less than the initial index value, initial share price or initial basket value, as applicable*, the lesser of (a) the stated principal amount *plus* the enhanced downside payment and (b) the maximum payment at maturity, or
  - *if the final index value (or final average index value), final share price (or final average share price) or final basket value (or final average basket value), as applicable, is greater than or equal to the initial index value*, *initial share price or initial basket value*, *as applicable*, the stated principal amount *minus* the upside reduction amount, subject to the minimum payment at maturity.

where,

$$\text{leveraged upside payment} = \text{stated principal amount per PLUS} \times \text{leverage factor} \times \text{index percent increase}$$

OR

$$\text{stated principal amount per PLUS} \times \text{leverage factor} \times \text{share percent increase}$$

OR

$$\text{stated principal amount per PLUS} \times \text{leverage factor} \times \text{basket percent increase}$$

and,

$$\text{enhanced downside payment} = \text{stated principal amount per PLUS} \times \text{leverage factor} \times \text{index percent decrease}$$

OR

$$\text{stated principal amount per PLUS} \times \text{leverage factor} \times \text{share percent decrease}$$

OR

$$\text{stated principal amount per PLUS} \times \text{leverage factor} \times \text{basket percent decrease}$$

and,

$$\text{upside reduction amount} = \text{stated principal amount per PLUS} \times \text{index percent increase}$$

OR

$$\text{stated principal amount per PLUS} \times \text{share percent increase}$$

OR

$$\text{stated principal amount per PLUS} \times \text{basket percent increase}$$

, in each case, depending on whether the PLUS are linked to a single index, exchange-traded fund or a basket.

and where,

$$\text{index percent increase} = \frac{\text{final index value} - \text{initial index value}}{\text{initial index value}}$$

$$\text{share percent increase} = \frac{\text{final share price} - \text{initial share price}}{\text{initial share price}}$$

$$\text{basket percent increase} = \frac{\text{final basket value} - \text{initial basket value}}{\text{initial basket value}}$$

$$\text{index percent decrease} = \frac{\text{initial index value} - \text{final index value}}{\text{initial index value}}$$

$$\text{share percent decrease} = \frac{\text{initial share price} - \text{final share price}}{\text{initial share price}}$$

$$\text{basket percent decrease} = \frac{\text{initial basket value} - \text{final basket value}}{\text{initial basket value}}$$

$$\text{index performance factor} = \frac{\text{final index value}}{\text{initial index value}}$$

$$\text{share performance factor} = \frac{\text{final share price}}{\text{initial share price}}$$

$$\text{basket performance factor} = \frac{\text{final basket value}}{\text{initial basket value}}$$

- **for a bull market Buffered PLUS**,
  - *if the final index value (or final average index value), final share price (or final average share price) or final basket value (or final average basket value), as applicable, is greater than the initial index value, initial share price or initial basket value, as applicable*, the lesser of (a) the stated principal amount *plus* the leveraged upside payment and (b) the maximum payment at maturity,
  - *if the final index value (or final average index value), final share price (or final average share price) or final basket value (or final average basket value), as applicable, is less than or equal to the initial index value, initial share price or initial basket value, as applicable, but has decreased by an amount less than or equal to the buffer amount*, the stated principal amount,

- º *if the final index value (or final average index value), final share price (or final average share price) or final basket value (or final average basket value), as applicable, is less than the initial index value, initial share price or initial basket value, as applicable, and has decreased by an amount greater than the buffer amount*, the payment at maturity will be based on different formulas, depending on whether there is a minimum payment at maturity or not, which are as follows:

  - ➢ *if there is a minimum payment at maturity*, it will equal the product of the stated principal amount and the buffer amount, and the payment at maturity will be the sum of (a) the stated principal amount *times* the index performance factor, share performance factor or basket performance factor, as applicable and (b) the minimum payment at maturity.

    - ♦ This payment will be less than the stated principal amount; however, the payment at maturity for each stated principal amount of Buffered PLUS will *not be less than* the minimum payment at maturity, which will be the stated principal amount *times* the buffer amount.

  - ➢ *if there is no minimum payment at maturity*, the payment at maturity will be the sum of (a) the stated principal amount and (b) the product of (i) stated principal amount, (ii) index return, share return or basket return, as applicable, *plus* buffer amount and (iii) the downside factor.

where, in addition to the terms defined above,

$$\text{index return} = \frac{\text{final index value} - \text{initial index value}}{\text{initial index value}};$$

$$\text{share return} = \frac{\text{final share price} - \text{initial share price}}{\text{initial share price}};$$

$$\text{basket return} = \frac{\text{final basket value} - \text{initial basket value}}{\text{initial basket value}};$$

which, in this scenario, will be a negative number.

Because in this scenario the sum of the index return, share return or basket return, as applicable, and the buffer amount will be less than zero, the payment at maturity will be less than the stated principal amount and may be zero.

- **for a bear market Buffered PLUS**,

  - º *if the final index value (or final average index value), final share price (or final average share price) or final basket value (or final average basket value), as applicable, is less than the initial index value, initial share price or initial basket value, as applicable*, the lesser of (a) the stated principal amount *plus* the enhanced downside payment and (b) the maximum payment at maturity,

  - º *if the final index value (or final average index value), final share price (or final average share price) or final basket value (or final average basket value), as applicable, is greater than or equal to the initial index value, initial share price or initial basket value, as applicable, but has increased by an amount less than or equal to the buffer amount,* the stated principal amount, or

  - º *if the final index value (or final average index value), final share price (or final average share price) or final basket value (or final average basket value), as applicable, is greater than the initial index value, initial share price or initial basket value, as applicable, and has increased by an amount greater than the buffer amount*, the payment at maturity will be the sum of (a) the stated principal amount *minus* the upside reduction amount and (b) the buffer payment, subject to the minimum payment at maturity, which will be $0, unless otherwise specified in the applicable pricing supplement.

- This payment will be less than the stated principal amount and may be zero.

Postponement of Valuation Date(s)

In determining the final value of the underlying asset in connection with the calculation of the payment at maturity, the Calculation Agent will take into account market disruption events, non-index business days and/or non-trading days as follows:

> *For issuances of PLUS linked to a single index*: If any scheduled valuation date is not an index business day or if a market disruption event with respect to the underlying index occurs on any such date, the index closing value for such date will be determined on the immediately succeeding index business day on which no market disruption event shall have occurred; *provided* that the index closing value for any scheduled valuation date will not be determined on a date later than the fifth scheduled index business day after such scheduled valuation date, and if such date is not an index business day or if there is a market disruption event on such date, the Calculation Agent will determine the index closing value of the underlying index on such date in accordance with the formula for calculating such index last in effect prior to the commencement of the market disruption event (or prior to the non-index business day), without rebalancing or substitution, using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, its good faith estimate of the closing price that would have prevailed but for such suspension, limitation or non-index business day) on such date of each security most recently constituting the underlying index.
>
> *For issuances of PLUS linked to a single exchange-traded fund:* If any scheduled valuation date is not a trading day or if a market disruption event with respect to the underlying shares occurs on any such date, the share closing price of an underlying share for such date will be determined on the immediately succeeding trading day on which no market disruption event shall have occurred; *provided* that the share closing price for any scheduled valuation date will not be determined on a date later than the fifth scheduled trading day after such scheduled valuation date, and if such date is not a trading day or if there is a market disruption event on such date, the Calculation Agent will determine the share closing price of an underlying share on such date as the mean of the bid prices for an underlying share for such date obtained from as many recognized dealers in such security, but not exceeding three, as will make such bid prices available to the Calculation Agent. Bids of MS & Co. or any of its affiliates may be included in the calculation of such mean, but only to the extent that any such bid is the highest of the bids obtained. If no bid prices are provided from any third party dealers, the share closing price will be determined by the Calculation Agent in its sole and absolute discretion (acting in good faith) taking into account any information that it deems relevant.
>
> *For issuances of PLUS linked to a basket*: If any scheduled valuation date is not an index business day or a trading day, as applicable, with respect to any basket component or if a market disruption event occurs on any such valuation date with respect to any basket component, the index closing value or share closing price, as applicable, with respect to each such affected basket component will be determined on the immediately succeeding index business day or trading day, as applicable, on which no market disruption event occurs with respect to such affected basket component. The basket closing value for any scheduled valuation date will be determined on the date on which the index closing value or share closing price, as applicable, for each of the basket components for such valuation date has been determined; *provided* that the index closing value or share closing price, as applicable, for any affected basket component will not be determined on a date later than the fifth scheduled index business day or trading day after the scheduled valuation date, and if such date is not an index business day or trading day, as applicable, or if there is a market disruption event with respect to the affected basket component on such date, the index closing value or share closing price for such basket component will be determined by the Calculation Agent in accordance with the procedures described in the applicable paragraph of the prior two paragraphs.
>
> *For issuances of PLUS that have multiple consecutive valuation dates:* If any scheduled valuation date is not an index business day or trading day, as applicable, or if a market disruption event occurs on any such date, such valuation date shall be postponed in accordance with the applicable paragraph of the prior three paragraphs. Each succeeding valuation date shall then be the next index business day or trading day, as

applicable, following the preceding valuation date as postponed. The final average index value, final average share price or final average basket value, as applicable, shall be determined on the date on which the index closing values, share closing prices or basket closing values, as applicable, for all scheduled valuation dates have been determined; *provided* that (i) the index closing value, share closing price or basket closing value, as applicable, for any valuation date will not be determined on a date later than the tenth business day after the last scheduled valuation date, (ii) the index closing value, share closing price or basket closing value, as applicable, for any remaining valuation dates that would otherwise fall after such tenth business day shall be the index closing value, share closing price or basket closing value, as applicable, on such tenth business day and (iii) if such tenth business day is not an index business day or trading day, as applicable, or if there is a market disruption event on such date, the Calculation Agent will determine the index closing value, share closing price or basket closing value, as applicable, for any such remaining valuation dates in accordance with the procedures described in the applicable paragraph of the prior three paragraphs.

Antidilution Adjustments for PLUS linked to Exchange-Traded Funds

If the ETF shares are subject to a stock split or reverse stock split, then once such split has become effective, the adjustment factor will be adjusted to equal the product of the prior adjustment factor and the number of shares issued in such stock split or reverse stock split with respect to one ETF share. No such adjustment to the adjustment factor will be required unless such adjustment would require a change of at least 0.1% in the amount being adjusted as then in effect. Any number so adjusted will be rounded to the nearest one hundred-thousandth with five one-millionths being rounded upward.

Alternate Exchange Calculation in case of an Event of Default

If an event of default (as defined in the accompanying prospectus) with respect to any issuance of PLUS shall have occurred and be continuing, the amount declared due and payable upon any acceleration of such PLUS (the "Acceleration Amount") will be an amount, determined by the Calculation Agent in its sole discretion, that is equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations (including accrued and unpaid interest) with respect to the PLUS as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the PLUS. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*

- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the PLUS in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the PLUS, which we describe below, the holders of the PLUS and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest—or, if there is only one, the only—quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two business days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Notwithstanding the foregoing, if a voluntary or involuntary liquidation, bankruptcy or insolvency of, or any analogous proceeding is filed with respect to Morgan Stanley, then depending on applicable bankruptcy law, your claim may be limited to an amount that could be less than the default amount.

If the maturity of the PLUS is accelerated because of an event of default as described above, we shall, or shall cause the Calculation Agent to, provide written notice to the Trustee at its New York office, on which notice the

Trustee may conclusively rely, and to the Depositary of the Acceleration Amount due with respect to the PLUS as promptly as possible and in no event later than two business days after the date of such acceleration.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third business day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five business days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third business day after the first business day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five business days after that first business day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two business day objection period have not ended before the final valuation date, then the default amount will equal the principal amount of the PLUS.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States or Europe, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-2 or higher by Standard & Poor's Ratings Services or any successor, or any other comparable rating then used by that rating agency, or
- P-2 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

Discontinuance of Any Underlying Index or Basket Index; Alteration of Method of Calculation

If the underlying index publisher discontinues publication of the underlying index or a basket index and such underlying index publisher or another entity (including MS & Co.) publishes a successor or substitute index that MS & Co., as the Calculation Agent, determines, in its sole discretion, to be comparable to the discontinued underlying index or basket index (such index being referred to herein as a "**successor index**"), then any subsequent index closing value of the underlying index or basket index will be determined by reference to the published value of such successor index at the regular weekday close of trading on any index business day that the index closing value is to be determined.

Upon any selection by the Calculation Agent of a successor index, the Calculation Agent will cause written notice thereof to be furnished to the Trustee, to us and to the Depositary, as holder of such PLUS, within three business days of such selection. We expect that such notice will be made available to you, as a beneficial owner of the relevant PLUS, in accordance with the standard rules and procedures of the Depositary and its direct and indirect participants.

If the underlying index publisher discontinues publication of the underlying index or a basket index prior to, and such discontinuance is continuing on, any valuation date or the date of acceleration and MS & Co., as the Calculation Agent, determines, in its sole discretion, that no successor index is available at such time, then the Calculation Agent will determine the index closing value of the affected index for each such date. The index closing value of the affected index will be computed by the Calculation Agent in accordance with the formula for and method of calculating such affected index last in effect prior to such discontinuance, using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, its good faith estimate of the closing price that would have prevailed but for such suspension or limitation) at the close of the principal trading session of the relevant exchange on such valuation date or date of acceleration of each security most recently constituting the affected index without any rebalancing or substitution of such securities following such discontinuance. Notwithstanding these alternative arrangements, discontinuance of the publication of the underlying index or any basket index may adversely affect the value of the PLUS.

If at any time the method of calculating the underlying index or basket index or successor index, or the value thereof, is changed in a material respect, or if the underlying index or basket index or successor index is in any other way modified so that such index does not, in the opinion of MS & Co., as the Calculation Agent, fairly represent the value of such index had such changes or modifications not been made, then, from and after such time, the Calculation Agent will, at the close of business in New York City on each date on which the index closing value and/or basket closing value is to be determined, make such calculations and adjustments as, in the good faith judgment of the Calculation Agent, may be necessary in order to arrive at a value of a stock index comparable to the underlying index or basket index or successor index, as the case may be, as if such changes or modifications had not been made, and the Calculation Agent will calculate the final index value or final average index value, as applicable, with reference to the underlying index or basket index or successor index, as adjusted. Accordingly, if the method of calculating the underlying index or basket index or successor index is modified so that the value of such index is a fraction of what it would have been if it had not been modified (*e.g.*, due to a split in the index), then the Calculation Agent will adjust such index in order to arrive at a value of the underlying index or basket index or successor index as if it had not been modified (*e.g.*, as if such split had not occurred).

Discontinuance of Any ETF Shares and/or Share Underlying Index; Alteration of Method of Calculation

If trading in the ETF shares on every applicable national securities exchange, on the OTC Bulletin Board and in the over-the-counter market is permanently discontinued or the exchange-traded fund relating to the ETF shares is liquidated or otherwise terminated (a "**discontinuance or liquidation event**"), the share closing price of the ETF shares on any valuation date or the date of acceleration following the discontinuance or liquidation event will be determined by the Calculation Agent and will be deemed to equal the product of (i) the closing value of the share underlying index (or any successor index, as described below) on such date (taking into account any material changes in the method of calculating the share underlying index following such discontinuance or liquidation event) *times* (ii) a fraction, the numerator of which is the share closing price of the ETF shares and the denominator of which is the closing value of the share underlying index (or any successor index, as described below), each determined as of the last day prior to the occurrence of the discontinuance or liquidation event on which a share closing price of the ETF shares was available.

If, subsequent to a discontinuance or liquidation event, the index publisher of the share underlying index discontinues publication of the share underlying index and the index publisher of the share underlying index or another entity (including MS & Co.) publishes a successor or substitute index that MS & Co., as the Calculation Agent, determines, in its sole discretion, to be comparable to the discontinued share underlying index (such index being referred to herein as a "**successor index**"), then any subsequent share closing price on any trading day following a discontinuance or liquidation event will be determined by reference to the published value of such successor index at the regular weekday close of trading on such trading day.

Upon any selection by the Calculation Agent of a successor index, the Calculation Agent will cause written notice thereof to be furnished to the Trustee, to us and to the Depositary, as holder of the PLUS linked to ETF shares, within three business days of such selection. We expect that such notice will be made available to you, as a beneficial owner of such PLUS, in accordance with the standard rules and procedures of the Depositary and its direct and indirect participants.

If, subsequent to a discontinuance or liquidation event, the index publisher of the share underlying index discontinues publication of the share underlying index prior to, and such discontinuance is continuing on, any valuation date or the acceleration date and MS & Co., as the Calculation Agent, determines, in its sole discretion, that no successor index is available at such time, then the Calculation Agent will determine the share closing price for such date. The share closing price will be computed by the Calculation Agent in accordance with the formula for calculating the share underlying index last in effect prior to such discontinuance, using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, its good faith estimate of the closing price that would have prevailed but for such suspension or limitation) at the close of the principal trading session of the relevant exchange on such date of each security most recently composing the share underlying index without any rebalancing or substitution of such securities following such discontinuance. Notwithstanding these alternative arrangements, discontinuance of the publication of the share underlying index may adversely affect the value of the PLUS linked to ETF shares.

Trustee

The "**Trustee**" for each offering of PLUS issued under our Senior Debt Indenture will be The Bank of New York Mellon, a New York banking corporation (as successor Trustee to JPMorgan Chase Bank, N.A. (formerly known as JPMorgan Chase Bank)).

We shall, or shall cause the Calculation Agent to, (i) provide written notice to the Trustee and to the Depositary of the amount of cash to be delivered with respect to the stated principal amount of each PLUS, on or prior to 10:30 a.m. on the business day preceding the maturity date and (ii) deliver the aggregate cash amount due with respect to the PLUS to the Trustee for delivery to the Depositary, as holder of the PLUS, on the maturity date. We expect such amount of cash will be distributed to investors on the maturity date in accordance with the standard rules and procedures of the Depositary and its direct and indirect participants. See "—Forms of Securities—Book-Entry Securities" or "—Forms of Securities—Certificated Securities" below, and see "Forms of Securities—The Depositary" in the accompanying prospectus.

Agent

Unless otherwise specified in the applicable pricing supplement, the "**agent**" for each underwritten offering of PLUS will be MS & Co.

Calculation Agent and Calculations

The "**Calculation Agent**" for the PLUS will be MS & Co. As Calculation Agent, MS & Co. will determine, among other things, the initial index value, the initial share price, the initial basket value, the final index value (or final average index value), the final share price (or final average share price), the final basket value (or final average basket value), the multipliers, the index percent increase or decrease, the share percent increase or decrease, the basket percent increase or decrease, the index performance factor, the share performance factor, the basket performance factor, as applicable, whether a market disruption event has occurred, the payment at maturity and the amount due and payable upon any acceleration of the PLUS that we describe in the section of this product supplement called "—Alternate Exchange Calculation in case of an Event of Default."

All determinations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding on you, the Trustee and us.

All calculations with respect to the payment at maturity, if any, for PLUS linked to a single underlying index or shares of a single exchange-traded fund will be rounded to the nearest one hundred-thousandth, with five one-millionths rounded upward (*e.g.*, .876545 would be rounded to .87655); all dollar amounts related to determination of the amount of cash payable per PLUS will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid on the aggregate number of PLUS will be rounded to the nearest cent, with one-half cent rounded upward.

All calculations with respect to the payment at maturity, if any, for PLUS linked to a basket of indices and/or ETF shares will be rounded to the nearest one billionth, with five ten-billionths rounded upward (*e.g.*, .9876543215 would be rounded to .987654322); all dollar amounts related to determination of the amount of cash payable per PLUS will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid on the aggregate number of PLUS will be rounded to the nearest cent, with one-half cent rounded upward.

Because the Calculation Agent is our affiliate, the economic interests of the Calculation Agent and its affiliates may be adverse to your interests, as an owner of the PLUS, including with respect to certain determinations and judgments that the Calculation Agent must make. See "Description of PLUS—Discontinuance of Any Underlying Index or Basket Index; Alteration of Method of Calculation" or "—Discontinuance of Any ETF Shares and/or Share

Underlying Index; Alteration of Method of Calculation," as applicable, and the definition of market disruption event under "Description of PLUS—General Terms of PLUS—Some Definitions". MS & Co., as a registered broker-dealer, is required to maintain policies and procedures regarding the handling and use of confidential proprietary information, and such policies and procedures will be in effect throughout the term of the PLUS to restrict the use of information relating to the calculations made by the Calculation Agent with respect to the PLUS prior to the dissemination of such information. MS & Co. is obligated to carry out its duties and functions as Calculation Agent in good faith and using its reasonable judgment.

Forms of Securities

As noted above, PLUS are issued as part of our Series F medium-term note program. We will issue PLUS only in fully registered form either as book-entry securities or as certificated securities. References to "holders" mean those who own PLUS registered in their own names, on the books that we or the Trustee maintain for this purpose, and not those who own beneficial interests in PLUS registered in street name or in PLUS issued in book-entry form through one or more depositaries.

Book-Entry Securities. For PLUS in book-entry form, we will issue one or more global certificates representing the entire issue of PLUS. Except as set forth in the prospectus under "Forms of Securities—Global Securities," you may not exchange book-entry PLUS or interests in book-entry PLUS for certificated PLUS.

Each global security certificate representing book-entry PLUS will be deposited with, or on behalf of, the Depositary and registered in the name of the Depositary or a nominee of the Depositary. These certificates name the Depositary or its nominee as the owner of the PLUS. The Depositary maintains a computerized system that will reflect the interests held by its participants in the global securities. An investor's beneficial interest will be reflected in the records of the Depositary's direct or indirect participants through an account maintained by the investor with its broker/dealer, bank, trust company or other representative. A further description of the Depositary's procedures for global PLUS representing book-entry PLUS is set forth under "Forms of Securities—The Depositary" in the prospectus. The Depositary has confirmed to us, the agent and each Trustee that it intends to follow these procedures.

Certificated Securities. If we issue PLUS in certificated form, the certificate will name the investor or the investor's nominee as the owner of the PLUS. The person named in the security register will be considered the owner of the PLUS for all purposes under the Senior Debt Indenture. For example, if we need to ask the holders of any issuance of PLUS to vote on a proposed amendment to such PLUS, the person named in the security register will be asked to cast any vote regarding that issuance of PLUS. If you have chosen to have some other entity hold the certificates for you, that entity will be considered the owner of your PLUS in our records and will be entitled to cast the vote regarding your PLUS. You may not exchange certificated PLUS for book-entry PLUS or interests in book-entry PLUS.

New York Law to Govern. The PLUS will be governed by, and construed in accordance with, the laws of the State of New York.

Interest and Principal Payments

You should read the section called "Description of Debt Securities" in the prospectus, where we describe generally how principal and interest payments, if any, on the PLUS are made, how exchanges and transfers of the PLUS are effected and how fixed and floating rates of interest on the PLUS, if any, are calculated.

USE OF PROCEEDS AND HEDGING

The net proceeds we receive from the sale of the PLUS will be used for general corporate purposes and, in part, in connection with hedging our obligations under the PLUS through one or more of our subsidiaries. See also "Use of Proceeds" in the accompanying prospectus. The original issue price of the PLUS includes the agent's commissions (as shown on the cover page of the applicable pricing supplement) paid with respect to the PLUS and the cost of hedging our obligations thereunder. The cost of hedging includes the projected profit that our subsidiaries expect to realize in consideration for assuming the risks inherent in managing the hedging transactions. Since hedging our obligations entails risk and may be influenced by market forces beyond our or our subsidiaries' control, such hedging may result in a profit that is more or less than initially projected, or could result in a loss.

On or prior to the pricing date or any basket component setting date, we, through our subsidiaries or others, expect to hedge our anticipated exposure in connection with the PLUS by taking positions in the stocks constituting the underlying index or a basket index, in futures or options contracts on the underlying index or a basket index or its component stocks listed on major securities markets or positions in any other available securities or instruments that we may wish to use in connection with such hedging and, if the PLUS are linked to ETF shares, by taking positions in the ETF shares, in options contracts on the ETF shares or positions in any other available securities or instruments that we may wish to use in connection with such hedging. Such purchase or sale activity on or prior to the pricing date or any basket component setting date could affect the value of the underlying asset on the pricing date or any basket component value on a basket component setting date, and therefore, could adversely affect the level at which such underlying asset must be on the valuation date(s) before you would receive a payment at maturity that exceeds the stated principal amount of the PLUS. In addition, through our subsidiaries, we are likely to modify our hedge position throughout the life of the PLUS, including on the valuation date(s), by purchasing and selling the stocks constituting the underlying index or a basket index, futures or options contracts on the underlying index or a basket index or its component stocks listed on major securities markets or positions in any other available securities or instruments that we may wish to use in connection with such hedging activities and, if the PLUS are linked to ETF shares, by purchasing and selling the ETF shares, options contracts relating to the ETF shares or any other available securities or instruments that we may wish to use in connection with such hedging activities. We cannot give any assurance that our hedging activities will not affect the value of the underlying asset and, therefore, adversely affect the value of the PLUS or the payment you will receive at maturity, if any.

PLUS OFFERED ON A GLOBAL BASIS

If we offer the PLUS on a global basis, we will so specify in the applicable pricing supplement. The additional information contained in the prospectus under "Securities Offered on a Global Basis Through the Depositary—Book-Entry, Delivery and Form" and "—Global Clearance and Settlement Procedures" will apply to every offering on a global basis. The additional provisions described under "Securities Offered on a Global Basis Through the Depositary—Tax Redemption" and "—Payment of Additional Amounts" will apply to PLUS offered on a global basis only if we so specify in the applicable pricing supplement.

BENEFIT PLAN INVESTOR CONSIDERATIONS

Each fiduciary of a pension, profit-sharing or other employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") (a "**Plan**"), should consider the fiduciary standards of ERISA in the context of the Plan's particular circumstances before authorizing an investment in the PLUS. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the Plan.

In addition, we and certain of our subsidiaries and affiliates, including MS & Co., may be considered a "party in interest" within the meaning of ERISA, or a "disqualified person" within the meaning of the Internal Revenue Code of 1986, as amended (the "**Code**"), with respect to many Plans, as well as many individual retirement accounts and Keogh plans (also "**Plans**"). Prohibited transactions within the meaning of ERISA or the Code would likely arise, for example, if the PLUS are acquired by or with the assets of a Plan with respect to which MS & Co. or any of its affiliates is a service provider or other party in interest, unless the PLUS are acquired pursuant to an exemption from the “prohibited transaction” rules. A violation of these “prohibited transaction” rules could result in an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for such persons, unless exemptive relief is available under an applicable statutory or administrative exemption.

The U.S. Department of Labor has issued five prohibited transaction class exemptions (“**PTCEs**”) that may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the PLUS. Those class exemptions are PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts) and PTCE 84-14 (for certain transactions determined by independent qualified professional asset managers). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code may provide an exemption for the purchase and sale of securities and the related lending transactions, provided that neither the issuer of the securities nor any of its affiliates has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of the Plan involved in the transaction, and provided further that the Plan pays no more, and receives no less, than “adequate consideration” in connection with the transaction (the so-called “service provider” exemption). There can be no assurance that any of these class or statutory exemptions will be available with respect to transactions involving the PLUS.

Because we may be considered a party in interest with respect to many Plans, the PLUS may not be purchased, held or disposed of by any Plan, any entity whose underlying assets include “plan assets” by reason of any Plan’s investment in the entity (a “**Plan Asset Entity**”) or any person investing “plan assets” of any Plan, unless such purchase, holding or disposition is eligible for exemptive relief, including relief available under PTCEs 96-23, 95-60, 91-38, 90-1, 84-14 or the service provider exemption or such purchase, holding or disposition is otherwise not prohibited. Any purchaser, including any fiduciary purchasing on behalf of a Plan, transferee or holder of the PLUS will be deemed to have represented, in its corporate and its fiduciary capacity, by its purchase and holding of the PLUS that either (a) it is not a Plan or a Plan Asset Entity and is not purchasing such PLUS on behalf of or with “plan assets” of any Plan or with any assets of a governmental, non-U.S. or church plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code (“Similar Law”) or (b) its purchase, holding and disposition are eligible for exemptive relief or such purchase, holding and disposition are not prohibited by ERISA or Section 4975 of the Code or any Similar Law.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the PLUS on behalf of or with “plan assets” of any Plan consult with their counsel regarding the availability of exemptive relief.

Each purchaser and holder of the PLUS has exclusive responsibility for ensuring that its purchase, holding and disposition of the PLUS do not violate the prohibited transaction rules of ERISA or the Code or any Similar Law. The sale of any PLUS to any Plan or plan subject to Similar Law is in no respect a representation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by plans generally or any particular plan, or that such an investment is appropriate for plans generally or any particular plan.

UNITED STATES FEDERAL TAXATION

The following is a general discussion of the material U.S. federal income tax consequences and certain estate tax consequences of ownership and disposition of the PLUS.

The discussion below assumes that the PLUS will not pay any stated interest. The U.S. federal income tax consequences of an investment in a PLUS that provides for stated interest will be set forth in the applicable pricing supplement.

This discussion applies only to initial investors in the PLUS who:

- purchase the PLUS at their "issue price," which will equal the first price at which a substantial amount of the PLUS is sold to the public (not including bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers); and

- will hold the PLUS as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code").

This discussion does not describe all of the tax consequences that may be relevant to a holder in light of the holder's particular circumstances or to holders subject to special rules, such as:

- certain financial institutions;
- insurance companies;
- certain dealers and traders in securities, commodities or foreign currencies;
- investors holding the PLUS as part of a hedging transaction, "straddle," wash sale, conversion transaction, integrated transaction or constructive sale transaction;
- U.S. Holders (as defined below) whose functional currency is not the U.S. dollar;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes;
- regulated investment companies;
- real estate investment trusts;
- tax-exempt entities, including "individual retirement accounts" or "Roth IRAs" as defined in Section 408 or 408A of the Code, respectively; or
- persons subject to the alternative minimum tax.

As stated above, this discussion does not describe all of the tax consequences that may be relevant to a holder in light of the holder's particular circumstances. For example, an investor who holds any securities the return on which is based on or linked to the performance of any index (including any component thereof) or exchange-traded fund (or its underlying assets) underlying a Bear Market PLUS should discuss with its tax advisers the U.S. federal income tax consequences of an investment in a Bear Market PLUS (including the potential application of the "straddle" rules).

In addition, we will not attempt to ascertain whether any issuer of any shares to which a PLUS relates, whether an individual stock or a component of a stock index (such shares hereafter referred to as "Underlying Shares"), is treated as a "passive foreign investment company" ("PFIC") within the meaning of Section 1297 of the Code or as a "United States real property holding corporation" ("USRPHC") within the meaning of Section 897 of the Code. If any issuer of Underlying Shares were so treated, certain adverse U.S. federal income tax consequences might apply to a U.S. Holder (as defined below) in the case of a PFIC and to a Non-U.S. Holder (as defined below) in the case of a USRPHC, upon the sale, exchange or settlement of a PLUS. You should refer to information filed with the Securities and Exchange Commission or another governmental authority by the issuers of the Underlying Shares and consult your tax adviser regarding the possible consequences to you if any issuer is or becomes a PFIC or USRPHC.

As the law applicable to the U.S. federal income taxation of instruments such as the PLUS is technical and complex, the discussion below necessarily represents only a general summary. Moreover, the effect of any applicable state, local or foreign tax laws is not discussed.

This discussion is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as of the date hereof, changes to any of which subsequent to the date of this product supplement may affect the tax consequences described herein. Persons considering the purchase of the PLUS should consult their tax advisers with regard to the application of the U.S. federal income tax laws to their particular situations and any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

This discussion is subject to any additional discussion regarding U.S. federal income taxation contained in the applicable pricing supplement. Accordingly, you should also consult the applicable pricing supplement for any additional discussion of U.S. federal income taxation with respect to the specific PLUS offered thereunder.

General

Except as otherwise provided in the applicable pricing supplement and based on certain representations that will be confirmed at or prior to the pricing date with respect to each offering, we believe that, under current law, the PLUS should be treated as a single financial contract that is an "open transaction" for U.S. federal income tax purposes.

Due to the absence of statutory, judicial or administrative authorities that directly address the treatment of the PLUS or instruments that are similar to the PLUS for U.S. federal income tax purposes, no assurance can be given that the Internal Revenue Service (the "IRS") or the courts will agree with the treatment described herein. Accordingly, you should consult your tax adviser regarding all aspects of the U.S. federal income tax consequences of an investment in the PLUS (including possible alternative treatments of the PLUS) and with respect to any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction. Unless otherwise stated, the following discussion is based on the treatment of the PLUS described above.

Tax Consequences to U.S. Holders

This section applies to you only if you are a U.S. Holder. As used herein, the term "U.S. Holder" means a beneficial owner of a PLUS that is, for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

The term "U.S. Holder" also includes certain former citizens and residents of the United States.

Tax Treatment of the PLUS

Tax Treatment Prior to Settlement. A U.S. Holder should not be required to recognize taxable income over the term of the PLUS prior to settlement, other than pursuant to a sale or exchange as described below.

Tax Basis. A U.S. Holder's tax basis in the PLUS should equal the amount paid by the U.S. Holder to acquire the PLUS.

Sale, Exchange or Settlement of the PLUS. Upon a sale, exchange or settlement of the PLUS, a U.S. Holder should recognize gain or loss equal to the difference between the amount realized on the sale, exchange or settlement and the U.S. Holder's tax basis in the PLUS sold, exchanged or settled. Subject to the discussions below about the possible application of Sections 1260 and 1256 of the Code, any gain or loss recognized upon sale, exchange or settlement of the PLUS should be long-term capital gain or loss if the U.S. Holder has held the PLUS for more than one year at such time, and short-term capital gain or loss otherwise.

Possible Application of Section 1260 of the Code

If a PLUS (other than a Bear Market PLUS) is linked to an Underlying Share that is an equity interest in one of a specified list of entities ("Pass-Thru Entities"), including an exchange-traded fund or other regulated investment company, a real estate investment trust, partnership or PFIC, there is a substantial risk that an investment in the PLUS will be treated as a "constructive ownership transaction" as defined in Section 1260 of the Code. If an investment in the PLUS is treated as a "constructive ownership transaction," all or a portion of any long-term capital gain recognized by a U.S. Holder in respect of the PLUS could be recharacterized as ordinary income (the "Recharacterized Gain"). In addition, an interest charge would be imposed on any deemed underpayment of tax for each year that the constructive ownership transaction was open. The amount of the interest charge is determined by treating any Recharacterized Gain as having accrued such that the gain in each successive year is equal to the gain in the prior year increased by the applicable federal rate (determined as of the date of sale, exchange or settlement of the PLUS) during the term of the constructive ownership transaction.

The amount of the Recharacterized Gain (if any) that would be recharacterized as ordinary income in respect of the PLUS will equal the excess of (i) any long-term capital gain recognized by the U.S. Holder in respect of the PLUS (which, subject to the maximum payment at maturity, if any, reflects a multiple of the percentage increase in the value of the Underlying Shares over the term of the PLUS) over (ii) the "net underlying long-term capital gain" (as defined in Section 1260 of the Code). Even if an investment in the PLUS is treated as a "constructive ownership transaction," it is unclear to what extent any long-term capital gain of a U.S. Holder in respect of a PLUS will be recharacterized as ordinary income. It is possible, for example, that the net underlying long-term capital gain is equal to the aggregate net capital gain that the U.S. Holder would have had if the specified Underlying Shares had been acquired for fair market value on the issue date of the PLUS and sold for fair market value upon the date of sale, exchange or settlement of the PLUS (which would reflect the percentage increase, without any multiple, in the value of the Underlying Shares over the term of the PLUS). However, the net underlying long-term capital gain could alternatively be calculated using a number of Underlying Shares that reflects the multiple upon which any gain on the PLUS would be calculated. Under Section 1260 of the Code, the amount of net underlying long-term capital gain will be treated as zero unless otherwise "established by clear and convincing evidence." Unless otherwise provided in the applicable pricing supplement, due to the lack of governing authority, our counsel is expected to be unable to opine as to whether or how Section 1260 of the Code applies to PLUS linked to Pass-Thru Entities. U.S. Holders should consult their tax advisers regarding the potential application of the "constructive ownership" rule to the PLUS.

Possible Application of Section 1256 of the Code

Special rules will apply if the PLUS, in whole or in part, constitutes a "Section 1256 Contract" under Section 1256 of the Code. Section 1256 Contracts include, among others, "listed options." Accordingly, if the PLUS is listed on (or subject to the rules of) an exchange, board of trade or market, it is possible that the PLUS may be treated, in whole or in part, as a Section 1256 Contract. If Section 1256 of the Code were to apply to a PLUS, U.S. Holders would be required (i) to mark to market all, or a portion, of the PLUS as if it were sold at its fair market value on the last business day of each year it is held, and (ii) to recognize any gain or loss in respect of the portion of the PLUS that is treated as a Section 1256 Contract as 40% short-term capital gain or loss and 60% long-term capital gain or loss. Unless otherwise provided in the applicable pricing supplement, Section 1256 of the Code should not apply to the PLUS, even if the PLUS is listed on an exchange, board of trade or market. U.S. Holders should consult their tax advisers regarding the potential application of Section 1256 of the Code to the PLUS.

Possible Alternative Tax Treatments of an Investment in the PLUS

Due to the absence of authorities that directly address the proper characterization of the PLUS, no assurance can be given that the IRS will accept, or that a court will uphold, the treatment described above. The IRS could, for instance, seek to treat a PLUS as a debt instrument. The risk that buffered securities might be recharacterized, for U.S. federal income tax purposes, as debt instruments giving rise to ordinary income, rather than as open transactions, is higher than with non-buffered equity-linked securities. In particular, with respect to a PLUS that matures (after taking into account the last possible date that the PLUS could be outstanding under the terms of the PLUS) more than one year from its date of issuance, the IRS could seek to treat a PLUS as subject to Treasury regulations governing contingent payment debt instruments (the "Contingent Debt Regulations").

If the IRS were successful in asserting that the Contingent Debt Regulations applied to the PLUS, the timing and character of income thereon would be significantly affected. Among other things, a U.S. Holder would be required to accrue into income original issue discount ("OID") on the PLUS every year at a "comparable yield" determined at the time of their issuance. Furthermore, any gain realized by a U.S. Holder at maturity or upon a sale or other disposition of the PLUS would generally be treated as ordinary income, and any loss realized at maturity would be treated as ordinary loss to the extent of the U.S. Holder's prior accruals of OID, and as capital loss thereafter.

In addition, the IRS could seek to treat a PLUS that matures (after taking into account the last possible date that the PLUS could be outstanding under the terms of the PLUS) one year or less from its date of issuance (a "Short-term PLUS") as a short-term debt obligation. Under such a treatment, the timing and character of income thereon would be significantly affected. Among other things, gain realized by a U.S. Holder upon settlement of a Short-term PLUS would be treated as ordinary income. In addition, such a PLUS would be treated as issued with OID. In such a case, (1) gain recognized by a U.S. Holder upon sale or exchange of the Short-term PLUS would be treated as ordinary income to the extent of any accrued OID, and (2) accrual-method U.S. Holders (and cash-method U.S. Holders that elect to apply an accrual method of tax accounting to the Short-term PLUS) might be required to accrue into income OID over the term of the Short-term PLUS before maturity. However, the amount of accrued OID would be unclear because the amount payable at maturity of the Short-term PLUS would not be known as of the issue date. U.S. Holders should consult their tax advisers with respect to the U.S. federal income tax treatment of a Short-term PLUS.

Even if the Contingent Debt Regulations or short-term debt treatment do not apply to the PLUS, other alternative U.S. federal income tax treatments of the PLUS are possible, which, if applied, could significantly affect the timing and character of the income or loss with respect to the PLUS. It is possible, for example, that a PLUS could be treated as a unit consisting of a loan and a forward contract, in which case a U.S. Holder would be required to accrue OID as income on a current basis. Accordingly, prospective investors should consult their tax advisers regarding all aspects of the U.S. federal income tax consequences of an investment in the PLUS.

In 2007, the U.S. Treasury Department and the IRS released a notice requesting comments on the U.S. federal income tax treatment of "prepaid forward contracts" and similar instruments, such as the PLUS. The notice focuses in particular on whether to require holders of these instruments to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; whether short-term instruments should be subject to any such accrual regime; the relevance of factors such as the exchange-traded status of the instruments and the nature of the underlying property to which the instruments are linked; and whether these instruments are or should be subject to the "constructive ownership" regime (as discussed above). While the notice requests comments on appropriate transition rules and effective dates, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the PLUS, possibly with retroactive effect. Accordingly, prospective investors should consult their tax advisers regarding all aspects of the U.S. federal income tax consequences of an investment in the PLUS, including the possible implications of this notice.

Backup Withholding and Information Reporting

Backup withholding may apply in respect of payments on the PLUS and the proceeds from a sale, exchange or other disposition of the PLUS, unless a U.S. Holder provides proof of an applicable exemption or a correct taxpayer identification number, and otherwise complies with applicable requirements of the backup withholding rules. The amounts withheld under the backup withholding rules are not an additional tax and may be refunded, or credited against the U.S. Holder's U.S. federal income tax liability, provided that the required information is furnished to the IRS. In addition, information returns may be filed with the IRS in connection with payments on the PLUS and the proceeds from a sale, exchange or other disposition of the PLUS, unless the U.S. Holder provides proof of an applicable exemption from the information reporting rules.

Tax Consequences to Non-U.S. Holders

This section applies to you only if you are a Non-U.S. Holder. As used herein, the term "Non-U.S. Holder" means a beneficial owner of a PLUS that is, for U.S. federal income tax purposes:

- an individual who is classified as a nonresident alien;
- a foreign corporation; or
- a foreign estate or trust.

The term "Non-U.S. Holder" does not include any of the following holders:

- a holder who is an individual present in the United States for 183 days or more in the taxable year of disposition and who is not otherwise a resident of the United States for U.S. federal income tax purposes;
- certain former citizens or residents of the United States; or
- a holder for whom income or gain in respect of the PLUS is effectively connected with the conduct of a trade or business in the United States.

Such holders should consult their tax advisers regarding the U.S. federal income tax consequences of an investment in the PLUS.

Tax Treatment upon Sale, Exchange or Settlement of a PLUS

Unless otherwise provided in the applicable pricing supplement, the PLUS should be treated as a single financial contract that is an "open transaction" for U.S. federal income tax purposes as described above and the discussion herein assumes such treatment.

Subject to the discussions on backup withholding, the possible application of Sections 871(m) and 897 of the Code, and the discussion below under "—Legislation Affecting Certain Non-U.S. Holders," a Non-U.S. Holder of the PLUS will not be subject to U.S. federal income or withholding tax in respect of amounts paid to the Non-U.S. Holder.

If all or any portion of a PLUS were recharacterized as a debt instrument, any payment made to a Non-U.S. Holder with respect to the PLUS would not be subject to U.S. federal withholding tax, provided that:

- the Non-U.S. Holder does not own, directly or by attribution, ten percent or more of the total combined voting power of all classes of our stock entitled to vote;

- the Non-U.S. Holder is not a controlled foreign corporation related, directly or indirectly, to us through stock ownership;

- the Non-U.S. Holder is not a bank receiving interest under Section 881(c)(3)(A) of the Code; and

- the certification requirement described below has been fulfilled with respect to the beneficial owner.

Certification Requirement. The certification requirement referred to in the preceding paragraph will be fulfilled if the beneficial owner of a PLUS (or a financial institution holding the PLUS on behalf of the beneficial owner) furnishes to the applicable withholding agent an IRS Form W-8BEN, on which the beneficial owner certifies under penalties of perjury that it is not a U.S. person.

In 2007, the U.S. Treasury Department and the IRS released a notice requesting comments on the U.S. federal income tax treatment of "prepaid forward contracts" and similar instruments, such as the PLUS. Among the issues addressed in the notice is the degree, if any, to which any income with respect to instruments such as the PLUS should be subject to U.S. withholding tax. It is possible that any Treasury regulations or other guidance issued after consideration of this issue could materially and adversely affect the withholding tax consequences of ownership and disposition of the PLUS, possibly on a retroactive basis. Non-U.S. Holders should note that we currently do not intend to withhold on any of the payments made with respect to the PLUS to Non-U.S. Holders (subject to compliance by such holders with the certification requirement described above). **However, in the event of a change of law or any formal or informal guidance by the IRS, the U.S. Treasury Department or Congress, we may decide to withhold on payments made with respect to the PLUS to Non-U.S. Holders and we will not be required to pay any additional amounts with respect to amounts withheld.** Accordingly, Non-U.S. Holders should consult their tax advisers regarding all aspects of the U.S. federal income tax consequences of an investment in the PLUS, including the possible implications of the notice referred to above.

Possible Application of Section 871(m) of the Code

Since the settlement payment with respect to a PLUS could be determined by reference to a "total return index" that reflects a notional reinvestment of dividends, it is possible that Section 871(m) of the Code could apply to the PLUS. If Section 871(m) of the Code were to apply, the settlement payment would be treated, in whole or in part, as a "dividend equivalent" from sources within the United States. In that case, a Non-U.S. Holder would be subject to a withholding tax at a rate equal to 30%, or a lesser rate pursuant to an applicable tax treaty, with respect to the dividend equivalent amounts. Because the IRS and the U.S. Treasury Department have not issued any guidance on the scope and application of Section 871(m) of the Code, we currently do not intend to withhold on payments to Non-U.S. Holders with respect to the PLUS (subject to compliance by such holders with the certification requirement described above). If, however, withholding is required as a result of any future guidance from the IRS and the U.S. Treasury Department, we will not be required to pay any additional amounts with respect to amounts so withheld. Unless otherwise provided in the applicable pricing supplement, due to the lack of governing authority, our counsel is expected to be unable to opine as to whether or how Section 871(m) of the Code applies to the PLUS.

U.S. Federal Estate Tax

Individual Non-U.S. Holders and entities the property of which is potentially includible in such an individual's gross estate for U.S. federal estate tax purposes (for example, a trust funded by such an individual and with respect to which the individual has retained certain interests or powers), should note that, absent an applicable treaty benefit, the PLUS are likely to be treated as U.S. situs property subject to U.S. federal estate tax. Prospective investors that are non-U.S. individuals, or are entities of the type described above, should consult their tax advisers regarding the U.S. federal estate tax consequences of an investment in the PLUS.

Backup Withholding and Information Reporting

Information returns may be filed with the IRS in connection with the payment on the PLUS at maturity as well as in connection with the proceeds from a sale, exchange or other disposition of the PLUS. A Non-U.S. Holder may be subject to backup withholding in respect of amounts paid to the Non-U.S. Holder, unless such Non-U.S. Holder complies with certification procedures to establish that it is not a U.S. person for U.S. federal income tax purposes or otherwise establishes an exemption. Compliance with the certification procedures described above under "—Tax Treatment upon Sale, Exchange or Settlement of a PLUS" will satisfy the certification requirements necessary to avoid backup withholding as well. The amount of any backup withholding from a payment to a Non-U.S. Holder will be allowed as a credit against the Non-U.S. Holder's U.S. federal income tax liability and may entitle the Non-U.S. Holder to a refund, provided that the required information is furnished to the IRS.

Legislation Affecting Certain Non-U.S. Holders

The Hiring Incentives to Restore Employment Act of 2010 generally imposes withholding of 30% on payments to certain foreign entities (including financial intermediaries) with respect to certain financial instruments issued after March 18, 2012, unless various U.S. information reporting and due diligence requirements (that are in addition to, and potentially significantly more onerous than, the requirement to deliver an IRS Form W-8BEN, as discussed above) have been satisfied. Pursuant to published guidance from the IRS and the U.S. Treasury Department, this legislation applies to payments of interest and dividends made after December 31, 2013 and payments of gross proceeds made after December 31, 2014. The extent to which this legislation applies to a PLUS is not clear. If the PLUS were recharacterized as a debt instrument, as described above in "—Tax Consequences to U.S. Holders—Possible Alternative Tax Treatments of an Investment in the PLUS," or, if any payment on a PLUS, in whole or in part, were treated as a "dividend equivalent" from sources within the United States, as described above in "—Tax Consequences to Non-U.S. Holders—Possible Application of Section 871(m) of the Code," this legislation could apply to certain amounts realized upon a sale, exchange or settlement of a PLUS issued after March 18, 2012. If withholding is required, we will not be required to pay any additional amounts with respect to any amounts withheld. Non-U.S. Holders should consult their tax advisors regarding the possible implications of this legislation for their investment in the PLUS.

PLAN OF DISTRIBUTION (CONFLICTS OF INTEREST)

We are offering the PLUS as part of our Series F medium-term notes on a continuing basis through MS & Co., which we refer to as the "agent." We may also use other agents that will be named in the applicable pricing supplement. The agent has, or will have agreed, to use reasonable efforts to solicit offers to purchase the PLUS. We will have the sole right to accept offers to purchase the PLUS and may reject any offer in whole or in part. The agent may reject, in whole or in part, any offer it solicited to purchase PLUS. We will pay the agent, in connection with sales of the PLUS resulting from a solicitation the agent made or an offer to purchase the agent received, a commission that will be specified in the applicable pricing supplement.

We may also sell the PLUS to the agent as principal for its own account at discounts to be agreed upon at the time of sale as disclosed in the applicable pricing supplement. The agent may resell the PLUS to investors and other purchasers at a fixed offering price or at prevailing market prices, or prices related thereto at the time of resale or otherwise, as the agent determines and as we will specify in the applicable pricing supplement. The agent may offer the PLUS it has purchased as principal to Morgan Stanley Smith Barney LLC ("MSSB") as selected dealer, or to other dealers, including Morgan Stanley & Co. International plc ("MSIP") and Bank Morgan Stanley AG. MSSB, MSIP and Bank Morgan Stanley AG are affiliates of Morgan Stanley. The agent may sell the PLUS to any dealer at a discount and, unless otherwise specified in the applicable pricing supplement, the discount allowed to any dealer will not be in excess of the discount the agent will receive from us. After the initial public offering of PLUS that the agent is to resell on a fixed public offering price basis, the agent may change the public offering price, concession, discount and other selling terms from time to time.

The agent may be deemed to be an "underwriter" within the meaning of the Securities Act of 1933, as amended. We and the agent have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act, or to contribute to payments made in respect of those liabilities. We have also agreed to reimburse the agent for specified expenses.

Unless otherwise provided in the applicable pricing supplement, we do not intend to apply for the listing of the PLUS on a national securities exchange. The agent may make a market in the PLUS as applicable laws and regulations permit. The agent is not obligated to do so, however, and the agent may discontinue making a market at any time without notice. No assurance can be given as to the liquidity of any trading market for the PLUS.

MS & Co. is our wholly-owned subsidiary. The agent will conduct each offering of the PLUS in compliance with the requirements of the FINRA Rule 5121 regarding a FINRA member firm's distributing the securities of an affiliate and related conflicts of interest. In accordance with FINRA Rule 5121, no agent or dealer that is an affiliate of ours will make sales in this offering to any discretionary account without the prior written approval of the customer. Following the initial distribution of the PLUS, the agent may offer and sell those PLUS in the course of its business as a broker-dealer. The agent may act as principal or agent in those transactions and will make any sales at varying prices related to prevailing market prices at the time of sale or otherwise. The agent may use this product supplement in connection with any of those transactions. The agent is not obligated to make a market in any of the PLUS and may cease to make a market at any time without notice.

In order to facilitate the offering of the PLUS, the agent may engage in transactions that stabilize, maintain or otherwise affect the price of the PLUS or of the individual stocks that constitute the underlying index or basket indices or, if the PLUS are linked to underlying shares, of underlying shares or the individual stocks underlying the share underlying index. Specifically, the agent may sell more PLUS than it is obligated to purchase in connection with the offering, creating a naked short position for its own account. The agent must close out any naked short position by purchasing PLUS in the open market. A naked short position is more likely to be created if the agent is concerned that there may be downward pressure on the price of the PLUS in the open market after pricing that could adversely affect investors who purchase in the offering. As an additional means of facilitating the offering, the agent may bid for, and purchase, the PLUS or the individual stocks that constitute the underlying index or basket indices or, if the PLUS are linked to underlying shares, underlying shares or the individual stocks underlying the share underlying index in the open market to stabilize the price of the PLUS. Finally, in any offering of the PLUS through a syndicate of underwriters or dealer group, the agent acting on behalf of the underwriting syndicate or for itself may also reclaim selling concessions allowed to an underwriter or a dealer for distributing the PLUS in the offering, if the agent repurchases previously distributed PLUS to cover syndicate short positions or to stabilize the price of the PLUS. Any of these activities may raise or maintain the market price of the PLUS above independent market levels or prevent or retard a decline in the market price of the PLUS. The agent is not required to engage in these activities, and may end any of these activities at any time.

Concurrently with the offering of the PLUS through the agent, we may issue other debt securities under the indenture referred to in this product supplement similar to those described in this product supplement. Those debt securities may include other Series F medium-term notes and medium-term notes under our Series G and Series H prospectus supplement, which we refer to as “Euro medium-term notes.” The other Series F medium-term notes and the Euro medium-term notes may have terms substantially similar to the terms of the PLUS offered under this product supplement. The Euro medium-term notes may be offered concurrently with the offering of the PLUS, on a continuing basis outside the United States by us, under a distribution agreement with Morgan Stanley & Co. International plc, as agent for us. The terms of that distribution agreement, which we refer to as the Euro Distribution Agreement, are substantially similar to the terms of the distribution agreement for a U.S. offering, except for selling restrictions specified in the Euro Distribution Agreement.

The agent or an affiliate of the agent will enter into a hedging transaction with us in connection with each offering of PLUS. See “Use of Proceeds and Hedging” above.

With respect to each issuance of PLUS, we expect to deliver the PLUS against payment therefor in New York, New York on the original issue date (settlement date) specified in the applicable pricing supplement. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, if the original issue date for any issuance of PLUS is more than three business days after the pricing date, purchasers who wish to trade PLUS more than three business days prior to the original issue date will be required to specify alternative settlement arrangements to prevent a failed settlement.

PLUS Offered on a Global Basis

If the applicable pricing supplement indicates that any of our PLUS will be offered on a global basis, those registered global securities will be offered for sale in those jurisdictions outside of the United States where it is legal to make offers for sale of those PLUS.

The agent has represented and agreed, and any other agent through which we may offer any PLUS on a global basis will represent and agree, that it will comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers the PLUS or possesses or distributes the applicable pricing supplement, this product supplement, any accompanying index supplement or the accompanying prospectus and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the PLUS under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes purchases, offers or sales of the PLUS, and we shall not have responsibility for the agent’s compliance with the applicable laws and regulations or obtaining any required consent, approval or permission.

With respect to sales in any jurisdictions outside of the United States of such PLUS offered on a global basis, purchasers of any such PLUS may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the issue price set forth on the cover page of the applicable pricing supplement.

General

No action has been or will be taken by us, the agent or any dealer that would permit a public offering of the PLUS or possession or distribution of any pricing supplement or this product supplement, any accompanying index supplement or the accompanying prospectus in any jurisdiction, other than the United States, where action for that purpose is required. No offers, sales or deliveries of the PLUS, or distribution of any pricing supplement or this product supplement, any accompanying index supplement and the accompanying prospectus or any other offering material relating to the PLUS, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligations on us, any agent or any dealer.

The agent has represented and agreed, and each dealer through which we may offer the PLUS has represented and agreed, that it (i) will comply with all applicable laws and regulations in force in each non-U.S. jurisdiction in which it purchases, offers, sells or delivers the PLUS or possesses or distributes any pricing supplement, this product supplement, any accompanying index supplement and the accompanying prospectus and (ii) will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the PLUS under the laws and regulations in force in each non-U.S. jurisdiction to which it is subject or in which it makes purchases, offers or sales of the PLUS. We shall not have responsibility for any agent's or any dealer's compliance with the applicable laws and regulations or obtaining any required consent, approval or permission.

Brazil

The PLUS have not been and will not be registered with the Comissão de Valores Mobiliários (The Brazilian Securities Commission). The PLUS may not be offered or sold in the Federative Republic of Brazil except in circumstances which do not constitute a public offering or distribution under Brazilian laws and regulations.

Chile

The PLUS have not been registered with the Superintendencia de Valores y Seguros in Chile and may not be offered or sold publicly in Chile. No offer, sales or deliveries of the PLUS or distribution of this product supplement, any accompanying index supplement or the accompanying prospectus, may be made in or from Chile except in circumstances which will result in compliance with any applicable Chilean laws and regulations.

Hong Kong

WARNING: The contents of this product supplement, any accompanying index supplement and the accompanying prospectus have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this product supplement, any accompanying index supplement or the accompanying prospectus, you should obtain independent professional advice.

None of this product supplement, any accompanying index supplement, the accompanying prospectus and their contents have been reviewed by any regulatory authority in Hong Kong. Accordingly, no person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the PLUS, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the applicable securities law of Hong Kong) other than with respect to the PLUS which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Chapter 571 of Hong Kong) and any rules made under that Ordinance.

Mexico

The PLUS have not been registered with the National Registry of Securities maintained by the Mexican National Banking and Securities Commission and may not be offered or sold publicly in Mexico. This product supplement, any accompanying index supplement and the accompanying prospectus may not be publicly distributed in Mexico.

Singapore

None of this product supplement, any accompanying index supplement and the accompanying prospectus have been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, none of this product supplement, any accompanying index supplement and the accompanying prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the PLUS may be circulated or distributed, nor may the PLUS be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where PLUS are subscribed or purchased under Section 275 by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the PLUS pursuant to an offer made under Section 275 except:

(1) to an institutional investor (for corporations under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

(2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law.

INDEX SUPPLEMENT *Filed Pursuant to Rule 424(b)(2)*
(To Prospectus dated November 21, 2011) *Registration Statement No. 333-178081*

Morgan Stanley

GLOBAL MEDIUM-TERM SECURITIES, SERIES F
Senior Securities

Underlying Indices and Underlying Index Publishers Information

We, Morgan Stanley, may from time to time offer and sell securities linked to an index or a weighted basket of components. This index supplement describes potential indices to which the securities may be linked, as well as related matters concerning the relationship, if any, between Morgan Stanley and the sponsor or publisher of the indices. Additional terms that will generally apply to the securities are described in the accompanying product supplement or preliminary pricing supplement.

This index supplement supplements the terms described in the accompanying product supplement or preliminary pricing supplement and the accompanying prospectus. Separate preliminary terms or a separate pricing supplement, as the case may be, will describe terms that apply specifically to the securities, including any changes to the description of the relevant index or indices specified below. If the terms described in the relevant preliminary terms or pricing supplement are inconsistent with those described herein or in any accompanying product supplement or the accompanying prospectus, the terms described in the relevant preliminary terms or pricing supplement will control. In addition, if this index supplement and any accompanying product supplement contains information relating to the same index to which the securities are linked, the information contained in the document with the most recent date will control.

Investing in the securities involves risks not associated with an investment in ordinary debt securities. See "Risk Factors" in the relevant preliminary terms or pricing supplement, the accompanying product supplement and the accompanying prospectus.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this index supplement, the accompanying product supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Morgan Stanley & Co. LLC, our wholly-owned subsidiary, has agreed to use reasonable efforts to solicit offers to purchase these securities as our agent. The agent may also purchase these securities as principal at prices to be agreed upon at the time of sale. The agent may resell any securities it purchases as principal at prevailing market prices, or at other prices, as the agent determines.

Morgan Stanley & Co. LLC may use this index supplement, the applicable pricing supplement, any accompanying product supplement and the accompanying prospectus in connection with offers and sales of the securities in market-making transactions.

These securities are not deposits or savings accounts and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency or instrumentality, nor are they obligations of, or guaranteed by, a bank.

MORGAN STANLEY

November 21, 2011

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We have derived all information contained in this index supplement regarding any specified index, including, without limitation, its make-up, its method of calculation and changes in its components and its historical closing values, from publicly available information. Such information reflects the policies of, and is subject to change by, the publisher of the applicable specified index, whom we refer to as the underlying index publisher. Each specified index is developed, calculated and maintained by its respective underlying index publisher. Neither we nor the agent has participated in the preparation of such documents or made any due diligence inquiry with respect to any specified index or underlying index publisher in connection with the securities offered pursuant to this index supplement, the applicable preliminary terms or preliminary pricing supplement, any applicable product supplement and the prospectus. We cannot give any assurance that all events occurring prior to the date of any offering of such securities (including events that would affect the accuracy or completeness of the publicly available information described in this paragraph or in the applicable pricing supplement) that would affect the value of any specified index have been publicly disclosed. Subsequent disclosure of any such events could affect the value received at maturity or on any call date with respect to such securities and therefore the trading prices of such securities. The underlying index publisher is under no obligation to continue to publish the applicable specified index and may discontinue publication of the applicable specified index at any time.

We or our affiliates may presently or from time to time engage in business with one or more of the issuers of the component stocks of any specified index without regard to your interests, including extending loans to or entering into loans with, or making equity investments in, one or more of such issuers or providing advisory services to one or more of such issuers, such as merger and acquisition advisory services. In the course of our business, we or our affiliates may acquire non-public information about one or more of such issuers and neither we nor any of our affiliates undertakes to disclose any such information to you. In addition, we or our affiliates from time to time have published and in the future may publish research reports with respect to such issuers or one or more of the indexes listed below. These research reports may or may not recommend that investors buy or hold the securities of such issuers or securities linked to such indexes. As a prospective purchaser of offered securities, you should undertake an independent investigation of the issuers of the component stocks of the specified index and of the specified index itself to the extent required, in your judgment, to allow you to make an informed decision with respect to an investment in any offered securities.

In this index supplement, unless the context requires otherwise, references to any specific specified index listed below will include any successor index to such specified index and references to the underlying index publisher will include any successor thereto.

RISK FACTORS

For risk factors specific to the relevant index, please see the sections titled "Risk Factors" in the relevant preliminary terms or preliminary pricing supplement and any accompanying product supplement.

NYSE Arca China Index

The NYSE Arca China Index is a modified equal weighted index composed of selected publicly traded stocks and American Depositary Receipts, or ADRs, of companies with significant exposure to the Chinese economy. The NYSE Arca China Index divisor was initially determined to yield a benchmark value of 100.00 at the close of trading on December 19, 2003. The NYSE Arca China Index is calculated and maintained by NYSE Arca, which is the index publisher. The value of the NYSE Arca China Index will be disseminated every 15 seconds over the Consolidated Tape Association's Network B between the hours of approximately 9:30 a.m. and 4:15 p.m.

Eligibility Criteria for NYSE Arca China Index Components. The NYSE Arca China Index includes companies whose business is focused in the People's Republic of China and are listed for trading on the New York Stock Exchange, NYSE Alternext US LLC, or quoted on the NASDAQ Stock Market. To be included in the NYSE Arca China Index, companies must have a market capitalization greater than $75 million and have at least 1,000,000 shares traded volume over each of the last six months.

NYSE Arca China Index Calculation. The NYSE Arca China Index is calculated using a modified equal weight methodology. Each security is placed into one of three tiers, top five and bottom five by market capitalization and those securities that are between the top and bottom. The top five securities are weighted such that the two with the largest market capitalization are set to fifteen percent (15%) and the next three are set to nine percent (9%), representing a combined fifty-seven percent (57%) of the NYSE Arca China Index. The bottom five securities are equally weighted to represent ten percent (10%) of the NYSE Arca China Index or two percent each (2%). The securities not in the top five or bottom five are equally weighted to represent thirty-three percent (33%) of the NYSE Arca China Index.

Quarterly Updates to the NYSE Arca China Index. Changes to the NYSE Arca China Index compositions and/or the component share weights in the NYSE Arca China Index typically take effect after the close of trading on the third Friday of each calendar quarter month in connection with the quarterly index rebalance. At the time of the NYSE Arca China Index quarterly rebalance, the weights for the components stocks (taking into account expected component changes and share adjustments), are modified in accordance with the following procedures. The NYSE Arca China Index is reviewed quarterly to ensure that at least 90% of the NYSE Arca China Index weight is accounted for by components that continue to represent the universe of stocks that meet the initial NYSE Arca China Index requirements. The index publisher may at any time and from time to time change the number of stocks comprising the group by adding or deleting one or more stocks, or replace one or more stocks contained in the group with one or more substitute stocks of its choice, if in the index publisher's discretion such addition, deletion or substitution is necessary or appropriate to maintain the quality and/or character of the index to which the group relates. In conjunction with the quarterly review, the share weights used in the calculation of the NYSE Arca China Index are determined based upon current shares outstanding modified, if necessary, to provide greater index diversification, as described in the NYSE Arca China Index Calculation section above. The NYSE Arca China Index components and their share weights are determined on the Wednesday prior to the third Friday of March, June, September, and December. The share weight of each component stock in the NYSE Arca China Index portfolio remains fixed between quarterly reviews except in the event of certain types of corporate actions such as stock splits, reverse stock splits, stock dividends, or similar events. The share weights used in the NYSE Arca China Index calculation are not typically adjusted for shares issued or repurchased between quarterly reviews.

Maintenance of the NYSE Arca China Index. In the event of a merger between two components, the share weight of the surviving entity may be adjusted to account for any stock issued in the acquisition. The index publisher may substitute stocks or change the number of stocks included in the index based on changing conditions in the industry or in the event of certain types of corporate actions, including mergers, acquisitions, spin-offs, and reorganizations. In the event of component or share weight changes to the NYSE Arca China Index portfolio, the payment of dividends other than ordinary cash dividends, spin-offs, rights offerings, re-capitalization, or other corporate actions affecting a component stock of the NYSE Arca China Index; the index divisor may be adjusted to ensure that there are no changes to the index level as a result of non-market forces.

In this index supplement, unless the context requires otherwise, references to the NYSE Arca China Index will include any Successor NYSE Arca China Index and references to the index publisher will include any successor to the index publisher.

License Agreement between NYSE Euronext and Morgan Stanley. Morgan Stanley has entered into a non-exclusive license agreement with the predecessor of NYSE Euronext providing for the license to Morgan Stanley, and certain of its affiliated or subsidiary companies, in exchange for a fee, of the right to use the NYSE Arca China Index, which is owned and published by NYSE Euronext, in connection with the securities.

The license agreement between NYSE Euronext and Morgan Stanley provides that the following language must be set forth in this index supplement:

The NYSE Arca China Index (CZH) ("Index") is sponsored by, and is a service mark of, NYSE Euronext or its affiliates ("NYSE Euronext"). The Index is being used with the permission of NYSE Euronext.

NYSE Euronext in no way sponsors, endorses or is otherwise involved in the transactions specified and described in this document (the "Transaction") and NYSE Euronext disclaims any liability to any party for any inaccuracy in the data on which the Index is based, for any mistakes, errors, or omissions in the calculation and/or dissemination of the Index, or for the manner in which it is applied in connection with the Transaction.

NYSE Arca Gold BUGS® Index

The NYSE Arca Gold BUGS® Index (the "Gold BUGS Index") is calculated and maintained by NYSE Arca. The Gold BUGS Index is a modified equal dollar weighted index of companies involved in gold mining. It was designed to provide significant exposure to near term movements in gold prices by including companies that do not hedge their gold production beyond 1.5 years. The Gold BUGS Index was developed on March 15, 1996 with a base value of 200.00. Adjustments are made quarterly after the close of trading on the third Friday of March, June, September and December so that each component stock represents its assigned weight in the Gold BUGS Index. The value of the Gold BUGS Index is published every 15 seconds through the Consolidated Tape Association's Network B under the ticker symbol "HUI."

Computation of the Gold BUGS Index. The Gold BUGS Index is calculated using a modified equal-dollar weighting methodology under which the majority of stocks in the Gold BUGS Index are equally weighted. Three of the largest component securities by market value are assigned higher percentage weights in the Gold BUGS Index at the time of the quarterly rebalancing and the remaining index components are given an equal percentage weight. The Gold BUGS Index has a scheduled quarterly rebalance after the close of trading on the third Friday of March, June, September and December, so that each component stock is represented at approximately its assigned weight in the Gold BUGS Index. The newly adjusted portfolio becomes the basis for the Gold BUGS Index's value effective on the first trading day following the quarterly adjustments. If necessary, a divisor adjustment is made to ensure continuity of the Gold BUGS Index's value.

Modifications to the Common Stocks Underlying the Gold BUGS Index. The index publisher has changed, and may at any time change, the number or assigned weighting of the component stocks by adding or deleting one or more component stocks, or replace one or more component stocks with one or more substitute stocks of its choice, if in the index publisher's discretion such addition, deletion or substitution is necessary or appropriate to maintain the quality and/or character of the Gold BUGS Index. However, in order to reduce turnover in the Gold BUGS Index, the index publisher generally attempts to combine additions and deletions to the Gold BUGS Index with a scheduled rebalancing. The index publisher may change the composition of the Gold BUGS Index at any time to reflect the conditions of the gold mining industry and to ensure that the component stocks continue to represent the gold mining companies. The number of shares of each component stock in the Gold BUGS Index portfolio remain fixed between quarterly reviews, except in the event of certain types of corporate actions such as the payment of a dividend, other than an ordinary cash dividend, stock distribution, stock split, reverse stock split, rights offering, or a distribution, reorganization, recapitalization, or some such similar event with respect to a component stock. When the Gold BUGS Index is adjusted between quarterly reviews for such events, the number of shares of the relevant component stock will be adjusted, to the nearest whole share, to maintain the component stock's relative weight in the Gold BUGS Index at the level immediately prior to the corporate action. The Gold BUGS Index may also be adjusted in the event of a merger consolidation, dissolution or liquidation of an issuer of a component stock. In the event of a stock replacement, the average dollar value of the remaining component stocks that are assigned the lower Gold BUGS Index weight will be calculated and that amount invested in the new component stock to the nearest whole share.

License Agreement between NYSE Euronext and Morgan Stanley. The predecessor to NYSE Euronext and Morgan Stanley have entered into a non-exclusive license agreement providing for the license to Morgan Stanley, and certain of its affiliated or subsidiary companies, in exchange for a fee, of the right to use the NYSE Arca Gold BUGS Index, which is owned and published by NYSE Euronext, in connection with the issuance of the securities. The license agreement between NYSE Euronext and Morgan Stanley provides that the following language must be set forth in this index supplement:

The NYSE Arca Gold BUGS Index (HUI) ("Index") is sponsored by, and is a service mark of, NYSE Euronext or its affiliates ("NYSE Euronext"). The Index is being used with the permission of NYSE Euronext.

NYSE Euronext in no way sponsors, endorses or is otherwise involved in the transactions specified and described in this document (the "Transaction") and NYSE Euronext disclaims any liability to any party for any inaccuracy in the data on which the Index is based, for any mistakes, errors, or omissions in the calculation and/or dissemination of the Index, or for the manner in which it is applied in connection with the Transaction.

NYSE Arca Gold Miners Index

The NYSE Arca Gold Miners Index is a modified market capitalization weighted index comprised of publicly traded companies involved primarily in the mining of gold or silver. The NYSE Arca Gold Miners Index includes common stocks and American Depositary Receipts of selected companies that are involved in mining for gold and silver and that are listed for trading on the New York Stock Exchange, NYSE Alternext US LLC or quoted on the NASDAQ Stock Market. Only companies with market capitalization greater than $100 million that have a daily average trading volume of at least 50,000 shares over the past six months are eligible for inclusion in the NYSE Arca Gold Miners Index. The index divisor was initially determined to yield a benchmark value of 500.00 at the close of trading on December 20, 2002. The value of the NYSE Arca Gold Miners Index will be disseminated every 15 seconds over the Consolidated Tape Association's Network B between the hours of approximately 9:30 a.m. and 4:15 p.m.

The NYSE Arca Gold Miners Index is calculated using a modified market capitalization weighting methodology. The NYSE Arca Gold Miners Index is weighted based on the market capitalization of each of the component securities, modified to conform to the following asset diversification requirements, which are applied in conjunction with the scheduled quarterly adjustments to the NYSE Arca Gold Miners Index:

(1) the weight of any single component stock may not account for more than 20% of the total value of the NYSE Arca Gold Miners Index;

(2) the component stocks are split into two subgroups–large and small, which are ranked by market capitalization weight in the NYSE Arca Gold Miners Index. Large stocks are defined as having an index weight greater than or equal to 5%. Small securities are defined as having an index weight below 5%; and

(3) the aggregate weight of those component stocks which individually represent more than 4.5% of the total value of the NYSE Arca Gold Miners Index may not account for more than 50% of the total index value.

The NYSE Arca Gold Miners Index is calculated, published and maintained by NYSE Arca, which is the index publisher. NYSE Arca Gold Miners Index is reviewed quarterly so that the index components continue to represent the universe of companies involved in the gold and silver mining industry. The index publisher may at any time and from time to time change the number of stocks comprising the group by adding or deleting one or more stocks, or replacing one or more stocks contained in the group with one or more substitute stocks of its choice, if in the index publisher's discretion such addition, deletion or substitution is necessary or appropriate to maintain the quality and/or character of the NYSE Arca Gold Miners Index. Changes to the NYSE Arca Gold Miners Index compositions and/or the component share weights in the NYSE Arca Gold Miners Index typically take effect after the close of trading on the third Friday of each calendar quarter month in connection with the quarterly index rebalance.

NYSE Arca Hong Kong 30 Index℠

The NYSE Arca Hong Kong 30 Index℠ is a broad-market index that measures the composite price performance of 30 stocks actively traded on the Hong Kong Stock Exchange (the "HKSE"), designed to reflect the movement of the Hong Kong stock market as a whole. The NYSE Arca Hong Kong 30 Index was established June 25, 1993 with a benchmark value of 350.00. The NYSE Arca Hong Kong 30 Index is calculated and disseminated each New York business day based on the most recent official closing price of each of the component stocks as reported by the HKSE and a fixed HK$/US$ exchange rate.

Eligibility Standards for the Inclusion and Maintenance of Component Stocks in the NYSE Arca Hong Kong 30 Index. The securities composing the NYSE Arca Hong Kong 30 Index are selected based on their market weight, trading liquidity, and representativeness of the business industries reflected on the HKSE. NYSE Arca, which is the index publisher, will require that each NYSE Arca Hong Kong 30 Index component security be one issued by an entity with major business interests in Hong Kong, listed for trading on the HKSE and have its primary trading market located in a country with which the index publisher has an effective surveillance sharing agreement. The index publisher will remove any NYSE Arca Hong Kong 30 Index component security that fails to meet any of the foregoing listing and maintenance criteria within 30 days after such a failure occurs. To ensure that the NYSE Arca Hong Kong 30 Index does not consist of a number of thinly-capitalized, low-priced securities with small public floats and low trading volumes, the index publisher has established additional listing and maintenance criteria:

- All component securities selected for inclusion in the NYSE Arca Hong Kong 30 Index must have, and thereafter maintain, an average daily capitalization, as calculated by the total number of shares outstanding times the latest price per share (in Hong Kong dollars), measured over the prior six month period, of at least HK$3 billion (approximately US$380 million);

- All component securities selected for inclusion in the NYSE Arca Hong Kong 30 Index must have, and thereafter maintain, a minimum free float value (total freely tradable outstanding shares less insider holdings), based on a monthly average measured over the prior three month period, of US$238 million, although up to, but no more than, three NYSE Arca Hong Kong 30 Index component securities may have a free float value of less than US$238 million but in no event less than US$150 million, measured over the same period;

- All component securities selected for inclusion in the NYSE Arca Hong Kong 30 Index must have, and thereafter maintain, an average daily closing price, measured over the prior six month period, not lower than HK$2.50 (approximately US$0.32); and

- All component securities selected for inclusion in the NYSE Arca Hong Kong 30 Index must have, and thereafter maintain, an average daily trading volume, measured over the prior six month period, of more than one million shares per day, although up to, but no more than, three component securities may have an average daily trading volume, measured over the prior six month period, of less than one million shares per day, but in no event less than 500,000 shares per day.

Beginning in 1994, the index publisher has reviewed the NYSE Arca Hong Kong 30 Index's component securities on a quarterly basis, conducted on the last business day in January, April, July, and October. Any component security failing to meet the above listing and maintenance criteria is reviewed on the second Friday of the second month following the quarterly review again to determine compliance with the above criteria. Any NYSE Arca Hong Kong 30 Index component stock failing this second review is replaced by a "qualified" NYSE Arca Hong Kong 30 Index component stock effective upon the close of business on the following Friday, provided, however, that if such Friday is not a business day, the replacement will be effective at the close of business on the first preceding business day. The index publisher will notify its membership immediately after it determines to replace an NYSE Arca Hong Kong 30 Index component stock.

The NYSE Arca Hong Kong 30 Index will be maintained by NYSE Arca and will contain at least thirty component stocks at all times. The index publisher may change the composition of the NYSE Arca Hong Kong 30 Index at any time in order to reflect more accurately the composition and track the movement of the Hong Kong stock market. Any replacement component stock must also meet the component stock listing and maintenance standards as discussed above. If the number of NYSE Arca Hong Kong 30 Index component securities in the NYSE Arca Hong Kong 30 Index falls below thirty, no new option series based on the NYSE Arca Hong Kong 30 Index will be listed for trading unless and until the Securities and Exchange Commission approves a rule filing pursuant to section 19(b) of the Securities Exchange Act of 1934 reflecting such change.

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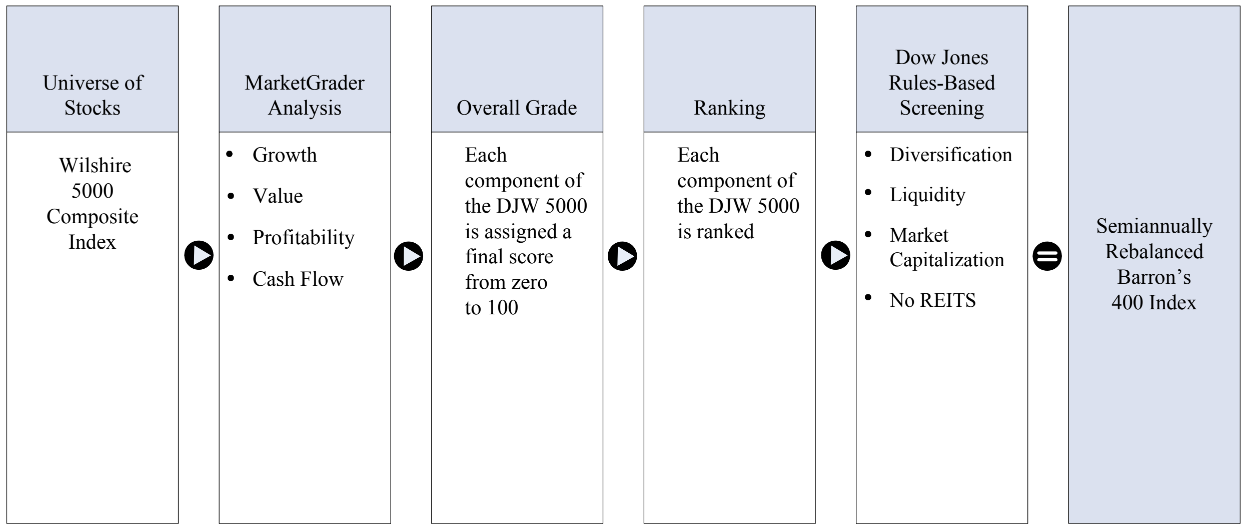
Barron's 400 Index℠

The Barron's 400 Index℠ is an index calculated by Dow Jones Indexes, the marketing name and a licensed trademark of CME Group Index Services LLC. The Barron's 400 Index measures the performance of a diversified group of U.S. companies that are selected based on fundamentals-related, rules-based criteria every six months from the Wilshire 5000 Composite Index (the "Wilshire 5000"). The Barron's 400 Index is an equally-weighted index of 400 companies from the Wilshire 5000 that have scored the highest based on the fundamentals-based rankings of MarketGrader.com based on its proprietary methodology and that then pass additional rules-based screening criteria designed and implemented by Dow Jones Indexes. The following diagram illustrates the Barron's 400 Index selection process:



The Wilshire 5000, from which stocks included in the Barron's 400 Index are selected, is intended to represent all U.S.-headquartered equity securities that have readily available prices. For more information regarding the methodology for determining inclusion in the Wilshire 5000, please see "—Wilshire 5000 Composite Index—Selection of Components for Wilshire 5000 Composite Index" below.

The Barron's 400 Index was first published on August 29, 2007. Indicative daily historical closing prices based on back-testing (i.e., the calculations of how the Barron's 400 Index would have performed in the past had it existed) are available from December 31, 1997, the date at which the base value of the Barron's 400 Index was set at 100. The Barron's 400 Index is rebalanced semiannually, on the third Friday of March and September, based upon changes in the MarketGrader scores of the components of the Wilshire 5000. The Barron's 400 Index is calculated and published daily by Dow Jones Indexes. The Barron's 400 Index is published in Barron's magazine and daily at www.barrons400.com.

Index Selection. The stocks contained in the Barron's 400 Index are the stocks in the Wilshire 5000 that have reported quarterly or annual results within the six months leading up to each index reset date that have received the highest MarketGrader scores and have survived a rules-based screening by Dow Jones Indexes. The MarketGrader score assigned to each stock is a numerical value from zero to 100. This point system is based on a collection of fundamental indicators, which are divided into the following four categories: Growth, Value, Profitability and Cash Flow. Each category is assigned a letter score ranging from A+ to F based on an analysis of six fundamental indicators, many of which vary depending on the industry or sub-industry of the company being analyzed. Therefore the final score for each stock is based on twenty-four fundamental indicators. MarketGrader does not disclose the weighting given to each indicator in determining the final score, as the respective weight given to each indicator is a proprietary aspect of its research system.

After scores have been assigned to the components in the Wilshire 5000, the companies are ranked for possible inclusion in the Barron's 400 Index.

Rules-Based Screening of the Companies in the Wilshire 5000 Composite Index[SM]. After the companies in the Wilshire 5000 have been ranked by MarketGrader score, a series of rules are applied to determine the 400 companies that will be included in the Barron's 400 Index. The following rules are applied:

- Diversification: The number of companies from a single Industry Classification Benchmark cannot exceed 80 (20%) of the 400 total companies in the Barron's 400 Index.
- Liquidity: No company with a three-month average daily trading dollar value of less than $2 million is eligible for inclusion in the Barron's 400 Index.
- Market Capitalization: No company with a float-adjusted market capitalization of less than $250 million is eligible for inclusion in the Barron's 400 Index. Additionally, at least 100 companies (25%) must have a total market capitalization of at least $3 billion.
- No REITS: No Real Estate Investment Trusts are eligible for inclusion in the Barron's 400 Index.

The 400 companies with the highest scores remaining after the application of these screens are included in the Barron's 400 Index.

Maintenance and Calculation of the Barron's 400 Index[SM]. The Barron's 400 Index is rebalanced semiannually. The entire process is repeated on the third Friday of March and September and the Barron's 400 Index is revised and re-weighted equally based on the new rankings.

The Barron's 400 Index is price weighted and not market capitalization weighted. Therefore, the component stock weightings are affected only by changes in the stocks' prices, in contrast with the weightings of other indices that are affected by both price changes and changes in the number of shares outstanding.

The Barron's 400 Index is calculated and published daily by Dow Jones Indexes. The Barron's 400 Index is reviewed on an ongoing basis to account for corporate actions such as mergers or delistings.

Wilshire 5000 Composite Index[SM]. The Wilshire 5000 Composite Index (the "Wilshire 5000") is an equity index calculated, published and disseminated daily by Wilshire Associates Incorporated, through numerous data vendors and in real time on Bloomberg Financial Markets and Reuters Limited.

The Wilshire 5000 is intended to represent all U.S. equity issues with readily available prices. The number of components in the Wilshire 5000 varies according to the number of U.S. equity issues with readily available prices.

Selection of Components for Wilshire 5000 Composite Index. The selection of the components for the Wilshire 5000 Composite Index is based on the following guidelines:

To be included in the Wilshire 5000, an issue must be all of the following:

- A company's primary equity issue;
- A common stock, REIT or limited partnership; and
- A security that has its primary market listing in the United States.

Bulletin-board issues are not added to the Wilshire 5000 because they generally do not consistently have readily available prices. Wilshire Associates Incorporated determines the component companies' primary issues for index valuation based on the following criteria: market capitalization, trading volume, institutional holdings and conversion rules (for companies with multiple share classes).

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DAXglobal® Russia+ Index

The DAXglobal® Russia+ Index (the "Russia+ Index") is intended to give investors an efficient, modified market capitalization-weighted investment designed to track the movements of certain Russian American Depositary Receipts ("ADRs"), Global Depositary Receipts ("GDRs") and shares, which are traded on the London Stock Exchange, the New York Stock Exchange as well as on the Hong Kong Stock Exchange. Additionally, shares listed at the Moscow Interbank Currency Exchange can be included in the index, but are taken into consideration only if no ADRs or GDRs exist for the corresponding constituent or the ADRs/GDRs do not fulfill the liquidity criteria. The Russia+ Index divisor was initially determined to yield a benchmark value of 100.00 at the close of trading on December 28, 2001. The Russia+ Index is calculated and maintained by Deutsche Börse AG, the index publisher. Any new constituent of the Russia+ Index must have an average daily value traded ("ADVT") of at least $1.2 million over the last six months as well as over each of the last two months and a market capitalization of at least $180 million and an aggregated trading volume of at least 300,000 shares per month for each of the last 6 months. For present constituents of the Russia+ Index, a 6-month ADVT of $0.8 million, a market capitalization of $120 million and an aggregated trading volume (for each of the previous 6 months) of 200,000 shares are required.

The Russia+ Index is weighted based on the market capitalization of each of the component stocks, modified according to the following capping method:

Step A All companies will be capped at a maximum of 8% by the single capitalization limit method.

Step B The companies will then be ranked from largest to smallest (in case more than one company has the weight of 8% after Step A, the original weight is taken to determine the order among these companies).

Step C Maximal weights are determined for the largest 6 companies according to Step B. For the largest 6 companies, the maximum weights allowed are 8%, 7.5%, 7%, 6.5%, 6% and 5%. All further stocks will be capped down to a maximum weight of 4.5%.

Step D Step C is repeated until all constituents fulfill the restrictions listed under Step C.

Maintenance of the Russia+ Index

The Russia+ Index is reviewed quarterly and the recomposition of the Russia+ Index takes place semi-annually on the third Friday in March and September. Component securities will be removed from the Russia+ Index, if the market capitalization falls below $120 million, the traded average daily turnover for the previous six months is lower than $0.8 million or if the an aggregated trading volume (for each of the previous 6 months) falls below 200,000 shares.

EURO STOXX 50® Index

The EURO STOXX 50® Index was created by STOXX® Limited, which is owned by Deutsche Boerse AG and SIX Group AG. Publication of the EURO STOXX 50 Index began on February 28, 1998 with a base value of 1,000 as of December 31, 1991. The EURO STOXX 50 Index is published in The Wall Street Journal and disseminated on the STOXX Limited website. The EURO STOXX 50 Index is reported by Bloomberg Financial Markets under ticker symbol "SX5E."

EURO STOXX 50 Index Composition and Maintenance. The EURO STOXX 50 Index is composed of 50 component stocks of market sector leaders from within the STOXX 600 Supersector Indices, which includes stocks selected from the Eurozone. The component stocks have a high degree of liquidity and represent the largest companies across all market sectors.

The composition of the EURO STOXX 50 Index is reviewed annually, based on the closing stock data on the last trading day in August. The component stocks are announced the first trading in September. Changes to the component stocks are implemented on the third Friday in September and are effective the following trading day. Changes in the composition of the EURO STOXX 50 Index are made to ensure that the EURO STOXX 50 Index includes the 50 market sector leaders from within the EURO STOXX Index.

The free float factors for each component stock used to calculate the EURO STOXX 50 Index, as described below, are reviewed, calculated and implemented on a quarterly basis and are fixed until the next quarterly review. Each component's weight is capped at 10% of the index's total free float market capitalization.

The EURO STOXX 50 Index is also reviewed on an ongoing basis. Corporate actions (including initial public offerings, mergers and takeovers, spin-offs, delistings and bankruptcy) that affect the EURO STOXX 50 Index composition are immediately reviewed. Any changes are announced, implemented and effective in line with the type of corporate action and the magnitude of the effect.

EURO STOXX 50 Index Calculation. The EURO STOXX 50 Index is calculated with the "Laspeyres formula," which measures the aggregate price changes in the component stocks against a fixed base quantity weight. The formula for calculating the EURO STOXX 50 Index value can be expressed as follows:

$$\text{Index} = \frac{\text{free float market capitalization of the EURO STOXX 50 Index}}{\text{divisor}}$$

The "free float market capitalization of the EURO STOXX 50 Index" is equal to the sum of the products of the closing price, market capitalization and free float factor for each component stock as of the time the EURO STOXX 50 Index is being calculated.

The divisor for the EURO STOXX 50 Index is adjusted to maintain the continuity of the EURO STOXX 50 Index values across changes due to corporate actions. The following is a summary of the adjustments to any component stock made for corporate actions and the effect of such adjustment on the divisor, where shareholders of the component stock will receive "B" number of shares for every "A" share held (where applicable).

(1) *Cash dividend (applied to Total Return indices only):*
Adjusted price = closing price – announced dividend * (1 – withholding tax)
Divisor: decreases

(2) *Special cash dividend (applied to Price and Total Return indices):*
Adjusted price = closing price – announced dividend * (1 – withholding tax)
Divisor: decreases

(3) *Split and reverse split:*
Adjusted price = closing price * A/B
New number of shares = old number of shares * B / A
Divisor: no change

(4) *Rights offering:*
Adjusted price = (closing price * A + subscription price * B) / (A + B)
New number of shares = old number of shares * (A + B) / A
Divisor: increases

(5) *Stock dividend:*
Adjusted price = closing price * A / (A + B)
New number of shares = old number of shares * (A + B) / A
Divisor: no change

(6) *Stock dividend of another company:*
Adjusted price = (closing price * A - price of other company * B) / A
Divisor: decreases

(7) *Return of capital and share consideration:*
Adjusted price = (closing price - dividend announced by company * (1-withholding tax)) * A / B
New number of shares = old number of shares * B / A
Divisor: decreases

(8) *Repurchase shares / self tender:*
Adjusted price = ((price before tender * old number of shares) - (tender price * number of tendered shares)) / (old number of shares - number of tendered shares)

New number of shares = old number of shares - number of tendered shares

Divisor: decreases

(9) *Spin-off:*

Adjusted price = (closing price * A - price of spun-off shares * B) / A

Divisor: decreases

(10) *Combination stock distribution (dividend or split) and rights offering:*

For this corporate action, the following additional assumptions apply:

- Shareholders receive B new shares from the distribution and C new shares from the rights offering for every A shares held
- If A is not equal to one share, all the following "new number of shares" formulae need to be divided by A:

- If rights are applicable after stock distribution (one action applicable to other):

Adjusted price = (closing price * A + subscription price * C * (1 + B / A)) / ((A + B) * (1 + C / A))

New number of shares = old number of shares * ((A + B) * (1 + C / A)) / A

Divisor: increases

- If stock distribution is applicable after rights (one action applicable to other):

Adjusted price = (closing price * A + subscription price * C) / ((A + C) * (1 + B / A))

New number of shares = old number of shares * ((A + C) * (1 + B / A))

Divisor: increases

- Stock distribution and rights (neither action is applicable to the other):

Adjusted price = (closing price * A + subscription price * C) / (A + B + C)

New number of shares = old number of shares * (A + B +C) / A

Divisor: increases

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Dow Jones Industrial Average^{SM}

The Dow Jones Industrial Average^{SM}, which we refer to as the DJIA, is a price-weighted index composed of 30 common stocks selected at the discretion of the editors of The Wall Street Journal (the "WSJ"), which is published by Dow Jones Indexes, the marketing name and a licensed trademark of CME Group Index Services LLC, as representative of the broad market of U.S. industry. The DJIA is reported by Bloomberg Financial Markets under ticker symbol "INDU."

On November 4, 2011, The McGraw-Hill Companies, Inc. ("McGraw-Hill"), the owner of the S&P Indices business, and CME Group Inc. ("CME Group"), the 90% owner of the CME Group and Dow Jones & Company, Inc. joint venture that owns the Dow Jones Indexes business, announced a new joint venture, S&P/Dow Jones Indices, which will own the S&P Indices business and the Dow Jones Indexes business, including the DJIA. McGraw-Hill and CME Group expect S&P/Dow Jones Indices to be operational in the first half of 2012, subject to regulatory approval and other conditions.

While there are no rules for component selection, a stock typically is added only if it has an excellent reputation, demonstrates sustained growth, is of interest to a large number of investors and accurately represents the sector(s) covered by the average. The DJIA serves as a measure of the entire U.S. market such as financial services, technology, retail, entertainment and consumer goods and is not limited to traditionally defined industrial stocks.

The DJIA is maintained by an Averages Committee comprised of the Managing Editor of The Wall Street Journal, the head of Dow Jones Indexes research and the head of CME Group research. The Averages Committee was created in March 2010, when Dow Jones Indexes became part of CME Group Index Services, LLC, a joint venture company owned 90% by CME Group Inc. and 10% by Dow Jones & Company. The DJIA is reviewed at least once annually, but composition changes are rare for the sake of continuity. Generally, composition changes occur only after mergers, corporate acquisitions or other dramatic shifts in a component's core business. When such an event necessitates that one component be replaced, the entire index is reviewed. As a result, when changes are made they typically involve more than one component.

The DJIA is price weighted rather than market capitalization weighted. Therefore, the component stock weightings are affected only by changes in the stocks' prices, in contrast with the weightings of other indices that are affected by both price changes and changes in the number of shares outstanding. The value of the DJIA is the sum of the primary exchange prices of each of the 30 common stocks included in the DJIA, divided by a divisor. The divisor is changed in accordance with a mathematical formula to adjust for stock dividends, stock splits and other corporate actions. The current divisor of the DJIA is published daily in the WSJ and other publications. While this methodology reflects current practice in calculating the DJIA, no assurance can be given that Dow Jones will not modify or change this methodology in a manner that may affect the return on your investment.

Computation of the DJIA. The level of the DJIA is the sum of the primary exchange prices of each of the 30 component stocks included in the DJIA, divided by a divisor that is designed to provide a meaningful continuity in the level of the DJIA. Because the DJIA is price-weighted, stock splits or changes in the component stocks could result in distortions in the DJIA level. In order to prevent these distortions related to extrinsic factors, the divisor is periodically changed in accordance with a mathematical formula that reflects adjusted proportions within the DJIA. The current divisor of the DJIA is published daily in the WSJ and other publications. In addition, other statistics based on the DJIA may be found in a variety of publicly available sources.

The current formula used to calculate divisor adjustments is as follows: the new divisor (*i.e.*, the divisor on the next trading session) is equal to (1) the divisor on the current trading session *times* (2) the *quotient* of (a) the sum of the adjusted (for stock dividends, splits, spin-offs and other applicable corporate actions) closing prices of the DJIA components on the current trading session and (b) the sum of the unadjusted closing prices of the DJIA components on the current trading session. The formula used to calculate divisor adjustments is:

$$\text{New Divisor} = \text{Current Divisor} \times \frac{\text{Adjusted Sum of Prices}}{\text{Unadjusted Sum of Prices}}$$

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The FTSE 100 Index was first calculated on January 3, 1984 with an initial base level index value of 1,000 points. Publication of the FTSE 100 Index began in February 1984. Real-time FTSE indices are calculated on systems managed by Reuters. Prices and FX rates used are supplied by Reuters.

The FTSE 100 Index is a market-capitalization weighted index representing the performance of the 100 largest UK-domiciled blue chip companies, which pass screening for size and liquidity. Stocks are free-float weighted to ensure that only the investable opportunity set is included in the FTSE 100 Index. FTSE 100 Index constituents are all traded on the London Stock Exchange's SETS trading system.

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FTSE can add, delete or substitute the stocks underlying the FTSE 100 Index or make other methodological changes that could change the value of the FTSE 100 Index. FTSE may discontinue or suspend calculation or dissemination of the FTSE 100 Index. The FTSE EMEA Committee reviews the FTSE Underlying Stocks quarterly in March, June, September and December in order to maintain continuity in the index level.

Changes to the constituents can be prompted by new listings on the exchange, corporate actions (*e.g.*, mergers and acquisitions) or an increase or decrease in a market capitalization. The FTSE Underlying Stocks may be replaced, if necessary, in accordance with deletion/addition rules which provide generally for the removal and replacement of a stock from the FTSE 100 Index. To maintain continuity, a stock will be added at the quarterly review if it has risen to 90th place or above and a stock will be deleted if at the quarterly review it has fallen to 111th place or below, in each case ranked on the basis of market value. Where a greater number of companies qualify to be inserted in the FTSE 100 Index than those qualifying to be deleted, the lowest ranking constituents presently included in the FTSE 100 Index will be deleted to ensure that an equal number of companies are inserted and deleted at the periodic review. Likewise, where a greater number of companies qualify to be deleted than those qualifying to be inserted, the securities of the highest ranking companies which are presently not included in the index will be inserted to match the number of companies being deleted at the periodic review.

The FTSE 100 Index is obtained by: (i) calculating the total market value of all companies within the FTSE 100 Index, which equals to sum of the products of shares-in-issue, share price and investability weighting for each stock included in the FTSE 100 Index as of the relevant current date and (ii) dividing the total market value as of the relevant current date by a divisor which represents the adjustments to the total market value as of the base date. The investability weighting for each stock is published by FTSE and is usually 1.00. The divisor is continuously adjusted to reflect changes, without distorting the FTSE 100 Index, in the issued share capital of individual underlying stocks, including the deletion and addition of stocks, the substitution of stocks, stock dividends and stock splits.

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FTSE China 25 Index

The FTSE China 25 Index is a stock index calculated, published and disseminated by FTSE Index, and is designed to represent the performance of the mainland Chinese market that is available to international investors and includes companies that trade on the Hong Kong Stock Exchange ("HKSE").

Investors globally use the FTSE China 25 Index (previously named the FTSE/Xinhua China 25 Index) to gain exposure to the Chinese markets. The index consists of the 25 largest and most liquid Chinese stocks (Red Chips and H shares) listed and trading on HKSE. H Shares are the securities of companies incorporated in the People's Republic of China and listed on the Hong Kong stock exchange. They can only be traded by Chinese investors under the Qualified Domestic Institutional Investors scheme (QDII). There are no restrictions for international investors. Red Chip companies are incorporated outside of the PRC that trade on the HKSE. A Red Chip is a company that has at least 30 per cent of its shares in aggregate held directly or indirectly by mainland Chinese entities, and at least 50 per cent of their sales revenue or operating assets derived from mainland China.

Eligible Securities. Only H-shares and Red Chip shares are eligible for inclusion in the FTSE China 25 Index. Each security must be a current constituent of the FTSE All-World Index. All classes of equity in issue are eligible for inclusion in the FTSE China 25 Index subject to certain restrictions. Convertible preference shares and loan stocks are excluded until converted. Companies whose business is that of holding equity and other investment instruments will not be eligible for inclusion. Securities must be sufficiently liquid to be traded. The following criteria are used to ensure that illiquid securities are excluded:

a) *Price* - The FTSE Asia Pacific Regional Committee must be satisfied that an accurate and reliable price exists for the purposes of determining the market value of a company. The FTSE Asia Pacific Regional Committee may exclude a security from the FTSE China 25 Index if it determines that an 'accurate and reliable' price is not available. The FTSE China 25 Index uses the last trade prices from the relevant stock exchanges, when available.

b) *Liquidity* - Each security is tested for liquidity on an annual basis in March by calculation of its median daily trading per month as part of the FTSE All-World Index review. The median trade is calculated by ranking each daily trade total and selecting the middle ranking day. Daily totals with zero trades are included in the ranking; therefore a security that fails to trade for more than half of the days in a month will have a zero median trade.

The FTSE China 25 Index is overseen by the FTSE Asia Pacific Regional Committee.

Computation of the FTSE China 25 Index. The FTSE China 25 Index is calculated using the free float index calculation methodology of the FTSE Group. The FTSE China 25 Index is calculated using the following algorithm:

$$\frac{\Sigma\,(p^{n}{}_{1} \times e^{n}{}_{1} \times s^{n}{}_{1} \times f^{n}{}_{1} \times c^{n}{}_{1})}{d}$$

$$n = 1,2,3\ldots\ldots,n$$

where "p" is the latest trade price of the component security "n", "e" is the exchange rate required to convert the security's home currency into the FTSE China 25 Index's base currency, "s" is the number of shares of the security in issue, "f" is the free float factor published by FXI, applicable to such security, to be applied to the security to allow amendments to its weighting, "c" is the capping factor published by FXI at the most recent quarterly review of the FTSE China 25 Index, and "d" is the divisor, a figure that represents the total issued share capital of the FTSE China 25 Index at the base date, which may be adjusted to allow for changes in the issued share capital of individual securities without distorting the FTSE China 25 Index.

The FTSE China 25 Index uses actual trade prices for securities with local stock exchange quotations and Reuters real-time spot currency rates for its calculations. Under this methodology, FXI excludes from free floating shares: (i) trade investments in a FTSE China 25 Index constituent company by either another FTSE China 25 Index constituent company or a non-constituent company or entity; (ii) significant long-term holdings by founders, directors and/or their families; (iii) employee share schemes (if restricted); (iv) government holdings; (v) foreign ownership limits; and (vi) portfolio investments subject to lock-in clauses (for the duration of the clause). Free float restrictions are calculated using available published information. The initial weighting of a FTSE China 25 Index constituent stock is applied in bands, as follows:

Free float less than or equal to 15%	Ineligible for inclusion in the FTSE China 25 Index, unless free float is also greater than 5% and the full market capitalization is greater than US$2.5 billion (or local currency equivalent), in which case actual free float is used.
Free float greater than 15% but less than or equal to 20%	20%
Free float greater than 20% but less than or equal to 30%	30%
Free float greater than 30% but less than or equal to 40%	40%
Free float greater than 40% but less than or equal to 50%	50%
Free float greater than 50% but less than or equal to 75%	75%
Free float greater than 75%	100%

These bands are narrow at the lower end, to ensure that there is sufficient sensitivity in order to maintain accurate representation, and broader at the higher end, in order to ensure that the weightings of larger companies do not fluctuate absent a significant corporate event.

Following the application of an initial free float restriction, a FTSE China 25 Index constituent stock's free float will only be changed if its actual free float is more than five percentage points above the minimum or five percentage points below the maximum of an adjacent band. This five percentage point threshold does not apply if the initial free float is less than 15%. Foreign ownership limits, if any, are applied after calculating the actual free float restriction, but before applying the bands shown above. If the foreign ownership limit is more restrictive than the free float restriction, the precise foreign ownership limit is applied. If the foreign ownership limit is less restrictive or equal to the free float restriction, the free float restriction is applied, subject to the bands shown above.

The FTSE China 25 Index is periodically reviewed for changes in free float. These reviews coincide with the quarterly reviews undertaken of the FTSE China 25 Index. Implementation of any changes takes place after the close of the index calculation on the third Friday in January, April, July and October. A stock's free float is also reviewed and adjusted if necessary following certain corporate events. If the corporate event includes a corporate action which affects the FTSE China 25 Index, any change in free float is implemented at the same time as the corporate action. If there is no corporate action, the change in free float is applied as soon as practicable after the corporate event.

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Hang Seng Index

The Hang Seng Index ("HSI") was developed, and is calculated, maintained and published, by Heng Seng Indexes Company (formerly HIS Services Limited), a wholly owned subsidiary of the Hang Seng Bank, and was first calculated and published on November 24, 1969. The Hang Seng Index is a market capitalization weighted stock market index of the HKSE and purports to be an indicator of the performance of the Hong Kong stock market.

Only companies with a primary listing on the Main Board of the HKSE are eligible to be constituents of the Hang Seng Index. Mainland China enterprises that have an H-share listing in Hong Kong are eligible for inclusion in the Hang Seng Index when they meet any one of the following conditions: (1) the H-share company has 100% of its ordinary share capital in the form of H-shares which are listed on the HKSE; (2) the H-share company has completed the process of share reform, with the result that there is no unlisted share capital in the company; or (3) for new H-share initial public offerings, the company has no unlisted share capital. For any H-share company included in the Hang Seng Index, only the H-share portion of the share capital of the company will be used for index calculation, subject to free float adjustment. H-shares are shares of mainland China companies listed on HKSE.

To be eligible for selection in the Hang Seng Index, a company: (1) must be among those that constitute the top 90% of the total market capitalization of all primary shares listed on the HKSE (market capitalization is expressed as an average of the past 12 months); (2) must be among those that constitute the top 90% of the total turnover of all primary listed shares on the HKSE (turnover is aggregated and individually assessed for eight quarterly sub-periods for the past 24 months); and (3) should normally have a listing history of 24 months or meet certain other requirements. From the candidates, final selections are based on the following: (1) the market capitalization and turnover rankings of the companies; (2) the representation of the sub-sectors within the Hang Seng Index directly reflecting that of the market; and (3) the financial performance of the companies.

Calculation Methodology. The calculation methodology of the Hang Seng Index uses a free float-adjusted market capitalization weighting. Under this calculation methodology, shares held by any entities (excluding custodians, trustees, mutual funds and investment companies) which control more than 5% of the shareholdings would be considered as non-freefloat and are excluded from index calculation. The freefloat-adjusted factor ("FAF"), representing the proportion of shares that is freefloated as a percentage of the issued shares, is rounded up to the nearest 1% for FAFs below 10% and otherwise to the nearest 5% for index calculation. FAFs are reviewed quarterly. For companies with more than one class of shares, FAF will be calculated separately for each class of shares.

A cap of 15% on individual stock weightings is applied. A cap factor is calculated quarterly to coincide with the regular update of the free float adjustment factor.

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KBW Mortgage Finance Index℠

The KBW Mortgage Finance Index℠ is a float-adjusted modified capitalization-weighted index of companies designed to effectively represent the performance of the U.S. mortgage finance industry. The companies composing the KBW Mortgage Finance Index account for a large portion of the market capitalization of the U.S. mortgage finance industry and were selected to provide appropriate representation of the industry's diverse sub-sectors, including pure mortgage players, mortgage insurers, title insurers, and banks and thrifts that have considerable mortgage loan portfolios in the United States. Keefe, Bruyette & Woods, Inc., which we refer to as KBW, began calculating the KBW Mortgage Finance Index in 2000, and the KBW Mortgage Finance Index has been listed on the Philadelphia Stock Exchange under the symbol "MFX℠" since July 22, 2005.

The KBW Mortgage Finance Index is calculated as a float-adjusted, modified market capitalization-weighted index, meaning that each of the component stocks represented in the KBW Mortgage Finance Index is equal to its float-adjusted shares outstanding, multiplied by its current stock price as quoted on the NASDAQ/NMS or the New York Stock Exchange. Float-adjusted modified market capitalization weighting is achieved through quarterly rebalancing.

Based on the capitalizations as of the close on the Monday before the third Saturday of the last month in each calendar quarter, the KBW Mortgage Finance Index rebalancing will be calculated according to the following rules:

- If any of the top four institutions' index weightings have increased beyond 10%, their weighting will be reduced to a maximum of 8% in the quarterly rebalancing.

- If any of the remaining institutions' weightings have increased beyond 5%, their weightings will be reduced to a maximum of 4.0% in the rebalancing.
- If any of the remaining institutions' weightings have dropped below 6%, their weightings will be increased to the lesser of their float-adjusted capitalization weight or 8% in the rebalancing.
- Any excess weighting available will be reallocated to the smaller institutions and any weighting needed to increase weighting in the larger institutions will be taken from the smaller institutions in the same manner as in the initial allocation at the time of rebalancing.
- The rebalancing will be implemented at the close on the Friday before the third Saturday of the last month in each calendar quarter.

The KBW Mortgage Finance Index is calculated and maintained by KBW. KBW selects the constituent stocks on the basis of relevance to the mortgage finance industry and on certain trading criteria, including but not limited to stock price, stock price volatility, stock price correlation to KBW Mortgage Finance Index price, average daily trading volume, optionability of stock, market capitalization, country of origin, listed exchange and perceived viability of the company. The KBW Mortgage Finance Index is designed and maintained so that financial instruments based on the KBW Mortgage Finance Index will comply with necessary listing/maintenance criteria dictated by subsections (b) and (c) of Rule 1009A (Designation of the KBW Mortgage Finance Index) on the Philadelphia Stock Exchange. Any constituent stock that fails to meet these standards will be replaced within the KBW Mortgage Finance Index.

In the event that there is a change in the nature of any constituent stock that will change the overall market character of the KBW Mortgage Finance Index, including delisting, merger, acquisition, or change of principal business, KBW will take appropriate steps to remove the stock or replace it with another stock that would best represent the intended market character of the KBW Mortgage Finance Index.

KBW reserves the authority to add one or more index-eligible stocks on a quarterly basis, or to remove any constituent stock on a quarterly basis if it believes that such stock no longer provides adequate representation of the mortgage finance industry, or no longer maintains the character of the KBW Mortgage Finance Index. In the event that KBW removes a constituent stock, KBW may replace such stock with an index-eligible stock at any time, but is not required to do so.

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KOSPI 200 Index

The KOSPI 200 Index is a market capitalization based index and was developed as an underlying index for derivatives products (index futures and index options) traded on the KRX-Futures Market. The calculation of the value of the KOSPI 200 Index (discussed below in further detail) is based on the relative value of the aggregated current Market Value (as defined below) of the common stocks of 200 companies (the "Constituent Stocks") as of a particular time as compared to the aggregated average Market Value of the common stocks of 200 companies at the base date of January 3, 1990. The current "Market Value" of any Constituent Stock is the product of the market price per share and the number of the then outstanding shares of such Constituent Stock. Korea Stock Exchange ("KSE") chooses companies for inclusion in the KOSPI 200 Index with an aim of accurately representing overall market movement. KSE may from time to time, in its sole discretion, add companies to, or delete companies from, the KOSPI 200 Index to achieve the objectives stated above. The KOSPI 200 Index selects stocks of companies that belong to one of eight industry groups, whose market capitalization is at least 1% of the total market capitalization. The capitalization requirement ensures the high percentage of market capitalization of Constituent Stocks against the total. Stocks initially listed or relisted after May 1 of the year preceding the year of the periodic realignment review date, stocks designated as administrative issue as of the periodic realignment review date, stocks of securities investment companies, issues of liquidation sale and stocks deemed unsuitable are ineligible to become a Constituent Stock of the KOSPI 200 Index.

Basic selection criteria are the average market capitalization obtained by dividing the aggregated value (attained by multiplying the closing price of the listed common shares by the number of listed common shares for one year from April of the year preceding the year to which the periodic realignment review date belongs), by 12, and the sum of daily trading value for the same period. In the case of a stock which has been reclassified under a different industry group, such stock is grouped with the newly classified industry group.

First, the Constituent Stocks from non-manufacturing industries are chosen on the basis of rank order of average monthly market capitalization, while ensuring that the accumulated market capitalization of a stock is at least 70% of the total market capitalization of the same industry group. The number of stocks selected is considered as is the number of Constituent Stocks chosen from the same industry group. However, a stock is excluded if its ranking of annual trading value is below 85% of the same industry group, and a stock that satisfies the trading value requirement is chosen from among the stocks whose market capitalization is ranked next.

Second, the Constituent Stocks from the manufacturing industry are selected by rank order of market capitalization, while ensuring that annual trading value of stocks are ranked above 85% of the industry group. The number of the stocks selected from the manufacturing industry is the number obtained by subtracting the number of Constituent Stocks chosen from the non-manufacturing industry group from 200.

Notwithstanding the above criteria, a stock whose market capitalization is within the top 50 of its industry group may be included in the constituents. The Futures and Options Index Maintenance Committee (the "KOSPI Committee") makes the decision while taking into account such factors as the percentage of market capitalization of the industry group to the total and the liquidity of such stock.

To ensure that the KOSPI 200 Index accurately represents the overall market movement, its Constituent Stocks are realigned as the need arises. There are two types of realignments: periodic realignment and special realignment. Periodic realignment takes place regularly once a year, on the trading day following the day which is the last trading day of June contracts of both the index futures and index options. Special realignment takes place at the time when a stock has to be excluded from the constituents as a result of, for instance, delisting, designation as administrative issue or a merger.

The method of periodic realignment is similar to the method used for selection of Constituent Stocks. However, to maintain constancy of the KOSPI 200 Index, a replacement stock must both satisfy the criteria for selection of Constituent Stocks, and its ranking of market capitalization should be within 90% of total market capitalization of the constituents of the same industry group. However, even if an existing Constituent Stock does not satisfy the criteria for selection of Constituent Stocks, such stock remains a constituent as long as its ranking of market capitalization is within 110% of the market capitalization of the constituents. In the case of a stock with a market capitalization ranking that has reached 90% of the total market capitalization of the constituents of the same industry group, such stock is excluded unless there is an existing Constituent Stock whose ranking falls below 110% of the constituents.

Special realignment is carried out by choosing a stock from a replacement list prepared beforehand in a priority order by industry group. In the event that the replacement list includes no stock for a specific industry, a stock is chosen from the manufacturing industry group.

In cases where there is an initial listing of a stock that is deemed to have high liquidity and is worthy in terms of its impact on KOSPI 200 Index, a Constituent Stock is merged into non-Constituent Stock or a company is established as result of merger between the constituent, it is possible to include before the periodic realignment date.

The level of the KOSPI 200 Index reflects the total current Market Value of all 200 Constituent Stocks relative to the base index of the KOSPI 200 Index as of the base date of January 3, 1990 (the "Base Index."), which is 100. An indexed number is used to represent the results of this calculation.

The actual aggregate Market Value of the Constituent Stocks at the base date (the "KOSPI 200 Base Market Value") has been set. In practice, the calculation of the KOSPI 200 Index is computed by dividing the total current aggregated Market Value of the Constituent Stocks by the KOSPI 200 Base Market Value and then multiplying by the Base Index of 100.

In order to maintain the consistency of the KOSPI 200 Index, the Market Value and KOSPI 200 Base Market Value can be readjusted. Readjustment includes changing the KOSPI 200 Base Market Value when there is an event, such as a distribution of rights or dividends, that affects the stock price, in order to equalize the stock price index on the day before the event and the stock price index on the day of the event. The following formula is used:

$$\frac{\text{Current Market Value on the day before the change}}{\text{Old Market Value}} = \frac{\text{Current Market Value on the day before the change} + \text{Amount of Change in the Value}}{\text{New KOSPI 200 Base Market Value}}$$

Current Market Value increases or decreases when there is a rights offering a new listing, a delisting or merger. Therefore, to maintain consistency, the KOSPI 200 Base Market Value is adjusted when there is a change in current Market Value, using the following formula:

$$\text{New KOSPI 200 Base Market Value} = \text{Old Market Value} \times \frac{\text{Current Market Value on the day before the change} + \text{Amount of change in the current Market Value}}{\text{Current Market Value on the day before the change}}$$

The KOSPI Committee is charged with reviewing matters relating to calculation and management of the KOSPI 200 Index. The KOSPI Committee is composed of 10 members who are chosen as representatives of institutional investors and securities related institutions, legal and accounting professions, and professors and researchers. The KOSPI Committee is responsible for matters relating to the calculation method of the KOSPI 200 Index; matters relating to selection and realignment of KOSPI 200 Constituent Stocks; matters relating to establishment, amendment and abolishment of the criteria for selection of KOSPI 200 Constituent Stocks; and any other matters that are requested by the chief executive officer of the KSE.

Regular meetings of the KOSPI Committee are held in May of each year for the purpose of realigning the Constituent Stocks, but a special meeting can be called if need arises.

Although KSE currently employs the above methodology to calculate the KOSPI 200 Index, we cannot assure you that KSE will not modify or change this methodology in a manner that may affect the return on your investment.

License Agreement between the Korean Stock Exchange and Morgan Stanley. We have been granted by KSE a non-transferable, non-exclusive license to use the KOSPI 200 Index as a component of the securities and refer to the KOSPI 200 Index in connection with the marketing and promotion of securities and in connection with making such disclosure about the securities. We acknowledge that the KOSPI 200 Index is selected, compiled, coordinated, arranged and prepared by KSE, respectively, through the application of methods and standards of judgment used and developed through the expenditure of considerable work, time and money by KSE. We acknowledge that KOSPI 200 Index and the KOSPI marks are the exclusive property of KSE, that KSE has and retains all property rights therein (including, but not limited to trademarks and copyrights) and that the KOSPI 200 Index and its compilation and composition and changes therein are in the complete control and sole discretion of KSE.

MSCI International Equity Indices

MSCI International Equity Indices are calculated, published and disseminated daily by MSCI Inc. (“MSCI”), through numerous data vendors, on the MSCI website and a majority of them in real time on Bloomberg Financial Markets and Reuters Limited.

The MSCI International Equity Indices are calculated for over 70 countries globally in the developed, emerging and frontier markets. The MSCI International Equity Indices include, among others, MSCI EAFE Index, MSCI Emerging Markets Index, MSCI Europe Index, MSCI World Index, MSCI World Real Estate Index, MSCI Australia Index, MSCI Belgium Index, MSCI Brazil Index, MSCI France Index, MSCI Italy Index, MSCI Japan Index, MSCI Pacific Ex-Japan Index, MSCI Singapore Index, MSCI Spain Index, MSCI Switzerland Index, MSCI Taiwan Index and MSCI USA Index. MSCI implemented enhancements to the methodology of the MSCI International Equity Indices in September 2008. In an attempt to provide broader coverage of the equity markets, MSCI moved from a sampled multi-cap approach to an approach targeting exhaustive coverage with non-overlapping size and segments. MSCI combined the MSCI Global Standard and MSCI Global Small Cap Indices to form the MSCI Global Investable Market Indices, segmented by region/country, size (large, mid and small cap), value/growth styles and Global Industry Classification Standard (“GICS®”) sectors/industries. The MSCI Global Standard and MSCI Global Small Cap Indices, along with the other MSCI equity indices based on them, transitioned to the MSCI Global Investable Market Indices methodology. The transition was completed at the end of May 2008. For more details, please see “– MSCI Global Investable Market Indices Methodology.”

MSCI EAFE Index®

The MSCI EAFE Index® is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the United States and Canada. As of August 2011, the MSCI EAFE Index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. The MSCI EAFE Index includes components from all countries in Europe, Australia and the Far East that are designated by MSCI as Developed Markets. The MSCI EAFE Index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE Index is reported by Bloomberg Financial Markets under ticker symbol “MXEA.”

MSCI Emerging Markets Index℠

The MSCI Emerging Markets Index℠ is a free float-adjusted market capitalization index that is designed to measure the equity market performance of emerging markets. As of August 2011, the MSCI Emerging Markets Index consisted of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey. The MSCI Emerging Markets Index includes components from all countries designated by MSCI as Emerging Markets. The MSCI Emerging Markets Index was developed with a base value of 100 as of December 31, 1987. The MSCI Emerging Markets Index is reported by Bloomberg Financial Markets under ticker symbol “MXEF.”

MSCI Europe Index℠

The MSCI Europe Index℠ is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. As of August 2011, the MSCI Europe Index consisted of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom. The MSCI Europe Index was developed with a base value of 100 as of December 31, 1998. The MSCI Europe Index is reported by Bloomberg Financial Markets under ticker symbol “MXEU.”

MSCI All Country World Index℠

The MSCI All Country World Index℠ is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. As of August 2011, the MSCI All Country World Index consisted of 45 country indices comprising 24 developed and 21 emerging market country indices. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey. The MSCI All Country World Index was developed with a base value of 100 as of December 31, 1987. The MSCI All Country World Index is reported by Bloomberg Financial Markets under ticker symbol “MXWD.”

MSCI World Index℠

The MSCI World Index℠ is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. As of August 2011, the MSCI World Index consisted of the following 24 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The MSCI World Index was developed with a base value of 100 as of December 31, 1969. The MSCI World Index is reported by Bloomberg Financial Markets under ticker symbol "MXWO."

MSCI World Real Estate Index℠

The MSCI World Real Estate Index℠ is a sub-index of the MSCI World Index and represents only securities in the GICS Real Estate Industry Group. The MSCI World Real Estate Index was developed with a base value of 100 as of December 31, 1998. The MSCI World Real Estate Index is reported by Bloomberg Financial Markets under ticker symbol "MXWO0RE."

MSCI Australia Index℠

The MSCI Australia Index℠ is a free float-adjusted market capitalization index intended to reflect the sectoral diversity of the Australian equity market and to represent Australian companies that are available to investors worldwide. Securities listed on the Australian Securities Exchange are eligible for inclusion in the MSCI Australia Index. The MSCI Australia Index was developed with a base value of 100 as of December 31, 1969. The MSCI Australia Index is reported by Bloomberg Financial Markets under ticker symbol "MXAU."

MSCI Belgium Index℠

The MSCI Belgium Index℠ is a free float-adjusted market capitalization index intended to reflect the sectoral diversity of the Belgian equity market and to represent Belgian companies that are available to investors worldwide. Securities listed on the Euronext are eligible for inclusion in the MSCI Belgium Index. The MSCI Belgium Index was developed with a base value of 100 as of December 31, 1998. The MSCI Belgium Index is reported by Bloomberg Financial Markets under ticker symbol "MXBE."

MSCI Brazil Index℠

The MSCI Brazil Index℠ is a free float-adjusted market capitalization index intended to reflect the sectoral diversity of the Brazilian equity market and to represent Brazilian companies that are available to investors worldwide. Securities listed on the Sao Paulo Stock Exchange are eligible for inclusion in the MSCI Brazil Index. The MSCI Brazil Index was developed with a base value of 100 as of December 31, 1987. The MSCI Brazil Index is reported by Bloomberg Financial Markets under ticker symbol "MXBR."

MSCI France Index℠

The MSCI France Index℠ is a free float-adjusted market capitalization index intended to reflect the sectoral diversity of the French equity market and to represent French companies that are available to investors worldwide. Securities listed on the Euronext are eligible for inclusion in the MSCI France Index. The MSCI France Index was developed with a base value of 100 as of December 31, 1998. The MSCI France Index is reported by Bloomberg Financial Markets under ticker symbol "MXFR."

MSCI Italy Index℠

The MSCI Italy Index℠ is a free float-adjusted market capitalization index intended to reflect the sectoral diversity of the Italian equity market and to represent Italian companies that are available to investors worldwide. Securities listed on the Italian Stock Exchange are eligible for inclusion in the MSCI Italy Index. The MSCI Italy Index was developed with a base value of 100 as of December 31, 1998. The MSCI Italy Index is reported by Bloomberg Financial Markets under ticker symbol "MXIT."

MSCI Japan Index℠

The MSCI Japan Index℠ is a free-float adjusted market capitalization weighted index that is designed to track the equity market performance of Japanese securities listed on the Tokyo Stock Exchange, the Osaka Stock Exchange, JASDAQ and the Nagoya Stock Exchange. The MSCI Japan Index is constructed based on the MSCI Global Investable Market Indices

Methodology, targeting a free-float market capitalization coverage of 85%. The index has a base date of December 31, 1987. The MSCI Japan Index is reported by Bloomberg Financial Markets under ticker symbol "MXJP."

MSCI Pacific Ex-Japan Index℠

The MSCI Pacific Ex-Japan Index℠ is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of the developed markets in the Pacific region, excluding Japan. As of August 2011, the MSCI Pacific Ex-Japan Index consisted of the following 4 developed market country indices: Australia, Hong Kong, New Zealand and Singapore. The MSCI Pacific Ex-Japan Index was developed with a base value of 100 as of December 31, 1969. The MSCI Pacific Ex-Japan Index is reported by Bloomberg Financial Markets under ticker symbol "MXPCJ."

MSCI Singapore Index℠

The MSCI Singapore Index℠ is a free float-adjusted market capitalization index intended to reflect the sectoral diversity of the Singaporean equity market and to represent Singaporean companies that are available to investors worldwide. Securities listed on the Singapore Exchange are eligible for inclusion in the MSCI Singapore Index. The MSCI Singapore Index was developed with a base value of 100 as of December 31, 1969. The MSCI Singapore Index is reported by Bloomberg Financial Markets under ticker symbol "MXSG."

MSCI Spain Index℠

The MSCI Spain Index℠ is a free float-adjusted market capitalization index intended to reflect the sectoral diversity of the Spanish equity market and to represent Spanish companies that are available to investors worldwide. Securities listed on the Madrid Stock Exchange are eligible for inclusion in the MSCI Spain Index. The MSCI Spain Index was developed with a base value of 100 as of December 31, 1998. The MSCI Spain Index is reported by Bloomberg Financial Markets under ticker symbol "MXES."

MSCI Switzerland Index℠

The MSCI Switzerland Index℠ is a free float-adjusted market capitalization index intended to reflect the sectoral diversity of the Swiss equity market and to represent Swiss companies that are available to investors worldwide. Securities listed on the SIX Swiss Exchange are eligible for inclusion in the MSCI Switzerland Index. The MSCI Switzerland Index was developed with a base value of 100 as of December 31, 1969. The MSCI Switzerland Index is reported by Bloomberg Financial Markets under ticker symbol "MXCH."

MSCI Taiwan Index℠

The MSCI Taiwan Index℠ is a free-float adjusted market capitalization weighted index that is designed to track the equity market performance of Taiwanese securities listed on the Taiwan Stock Exchange and the GreTai Securities Market. The MSCI Taiwan Index is constructed based on the MSCI Global Investable Market Indices Methodology, targeting a free-float market capitalization coverage of 85%. The MSCI Taiwan Index has a base date of December 31, 1987. The MSCI Taiwan Index is reported by Bloomberg Financial Markets under ticker symbol "MXTW."

MSCI USA Index℠

The MSCI USA Index℠ is a free float-adjusted market capitalization index intended to reflect the sectoral diversity of the United States equity market and to represent United States companies that are available to investors worldwide. Securities listed on the New York Stock Exchange, NASDAQ and NYSE Amex Equities are eligible for inclusion in the MSCI USA Index. The MSCI USA Index was developed with a base value of 100 as of December 31, 1969. The MSCI USA Index is reported by Bloomberg Financial Markets under ticker symbol "MXUS."

MSCI Global Investable Market Indices Methodology

Constructing the MSCI Global Investable Market Indices

MSCI undertakes an index construction process, which involves: (i) defining the Equity Universe; (ii) determining the Market Investable Equity Universe for each market; (iii) determining market capitalization size segments for each market; (iv) applying Index Continuity Rules for the MSCI Standard Index; (v) creating style segments within each size segment within each market; and (vi) classifying securities under the Global Industry Classification Standard ("GICS®").

Defining the Equity Universe

(i) Identifying Eligible Equity Securities: The Equity Universe initially looks at securities listed in countries which are classified as either Developed Markets ("DM") or Emerging Markets ("EM"). All listed equity securities, or listed securities that exhibit characteristics of equity securities, except mutual funds (U.S. Business Development Companies are eligible), exchange-traded funds, equity derivatives, limited partnerships, and most investment trusts, are eligible for inclusion in the Equity Universe. Real Estate Investment Trusts ("REITs") in some countries and certain income trusts in Canada are also eligible for inclusion.

(ii) Country Classification of Eligible Securities: Each company and its securities (i.e., share classes) are classified in one and only one country, which allows for sorting of each company by its respective country.

Determining the Market Investable Equity Universes

A Market Investable Equity Universe for a market is derived by applying investability screens to individual companies and securities in the Equity Universe that are classified in that market. A market is equivalent to a single country, except in DM Europe, where all DM countries in Europe are aggregated into a single market for index construction purposes. Subsequently, individual DM Europe country indices within the MSCI Europe Index are derived from the constituents of the MSCI Europe Index under the Global Investable Market Indices methodology.

The investability screens used to determine the Investable Equity Universe in each market are as follows:

(i) Equity Universe Minimum Size Requirement: This investability screen is applied at the company level. In order to be included in a Market Investable Equity Universe, a company must have the required minimum full market capitalization. To determine this minimum size requirement, the companies in the DM Equity Universe are sorted in descending order of full market capitalization and the cumulative coverage of the free float-adjusted market capitalization of the DM Equity Universe is calculated at each company. When the cumulative free float-adjusted market capitalization coverage of 99% of the sorted Equity Universe is achieved, the full market capitalization of the company at that point defines the Equity Universe Minimum Size Requirement.

(ii) Equity Universe Minimum Float-Adjusted Market Capitalization Requirement: This investability screen is applied at the individual security level. To be eligible for inclusion in a Market Investable Equity Universe, a security must have a free float-adjusted market capitalization equal to or higher than 50% of the Equity Universe Minimum Size Requirement.

(iii) DM and EM Minimum Liquidity Requirement: This investability screen is applied at the individual security level. To be eligible for inclusion in a Market Investable Equity Universe, a security must have adequate liquidity. A minimum liquidity level of 20% of 3-month Annualized Traded Value Ratio ("ATVR") and 90% of 3-month Frequency of Trading over the last 4 consecutive quarters, as well as 20% of 12-month ATVR are required for the inclusion of a security in a Market Investable Equity Universe of a Developed Market. A minimum liquidity level of 15% of 3-month ATVR and 80% of 3-month Frequency of Trading over the last 4 consecutive quarters, as well as 15% of 12-month ATVR are required for the inclusion of a security in a Market Investable Equity Universe of an Emerging Market. In addition, securities with stock prices above USD 10,000 fail the liquidity screening unless it is already a constituent of the MSCI Global Investable Market Indices.

(iv) Global Minimum Foreign Inclusion Factor Requirement: This investability screen is applied at the individual security level. To be eligible for inclusion in a Market Investable Equity Universe, a security's Foreign Inclusion Factor ("FIF") must reach a certain threshold. The FIF of a security is defined as the proportion of shares outstanding that is available for purchase in the public equity markets by international investors. This proportion accounts for the available free float of and/or the foreign ownership limits applicable to a specific security (or company). In general, a security must have an FIF equal to or larger than 0.15 to be eligible for inclusion in a Market Investable Equity Universe. Exceptions to this general rule are made only in the limited cases where the exclusion of securities of a very large company would compromise the MSCI Standard Index's ability to fully and fairly represent the characteristics of the underlying market.

(v) Minimum Length of Trading Requirement: This investability screen is applied at the individual security level. For an initial public offering ("IPO") to be eligible for inclusion in a Market Investable Equity Universe, the new issue must have started trading at least four months before the implementation of the initial construction of the index or at least three months before the implementation of a Semi-Annual Index Review. This requirement is applicable to small new issues in all markets. Large IPOs are not subject to the Minimum Length of Trading Requirement and may be included in a Market Investable Equity Universe and the Standard Index outside of a Quarterly or Semi-Annual Index Review.

Defining Market Capitalization Size Segments for Each Market

Once a Market Investable Equity Universe is defined, it is segmented into the following size-based indices:

- Investable Market Index (Large + Mid + Small)
- Standard Index (Large + Mid)
- Large Cap Index
- Mid Cap Index
- Small Cap Index

Creating the Size Segment Indices in each market involves the following steps: (i) defining the Market Coverage Target Range for each size segment; (ii) determining the Global Minimum Size Range for each size segment; (iii) determining the Market Size-Segment Cutoffs and associated Segment Number of Companies; (iv) assigning companies to the size segments; and (v) applying final size-segment investability requirements and index continuity rules.

Index Continuity Rules for the Standard Indices

In order to achieve index continuity, as well as provide some basic level of diversification within a market index, notwithstanding the effect of other index construction rules, a minimum number of five constituents will be maintained for a DM Standard Index and a minimum number of three constituents will be maintained for an EM Standard Index. The application of this requirement involves the following steps:

If after the application of the index construction methodology, a Standard Index contains fewer than five securities in a Developed Market or three securities in an Emerging Market, then the largest securities by free float-adjusted market capitalization are added to the Standard Index in order to reach five constituents in that Developed Market or three in that Emerging Market. At subsequent Index Reviews, if the free float-adjusted market capitalization of a non-index constituent is at least 1.50 times the free float-adjusted market capitalization of the smallest existing constituent after rebalancing, the larger free float-adjusted market capitalization security replaces the smaller one.

Creating Style Indices within Each Size Segment

All securities in the investable equity universe are classified into Value or Growth segments using the MSCI Global Value and Growth methodology.

Classifying Securities under the Global Industry Classification Standard ("GICS®")

All securities in the Global Investable Equity Universe are assigned to the industry that best describes their business activities. To this end, MSCI has designed, in conjunction with S&P, the GICS. The GICS entails four levels of classification: (1) sector; (2) industry group; (3) industries; and (4) sub-industries. Under the GICS, each company is assigned to one sub-industry according to its principal business activity. Therefore, a company can belong to only one industry grouping at each of the four levels of the GICS.

Index Maintenance

The MSCI Global Investable Market Indices are maintained with the objective of reflecting the evolution of the underlying equity markets and segments on a timely basis, while seeking to achieve index continuity, continuous investability of constituents and replicability of the indices, and index stability and low index turnover.

In particular, index maintenance involves:

(i) Semi-Annual Index Reviews ("SAIRs") in May and November of the Size Segment and Global Value and Growth Indices which include:

- Updating the indices on the basis of a fully refreshed Equity Universe.
- Taking buffer rules into consideration for migration of securities across size and style segments.
- Updating FIFs and Number of Shares ("NOS").

The objective of the SAIRs is to systematically reassess the various dimensions of the Equity Universe for all markets on a fixed semi-annual timetable. A SAIR involves a comprehensive review of the Size Segment and Global Value and Growth Indices.

(ii) Quarterly Index Reviews ("QIRs") in February and August (in addition to the SAIRs in May and November) of the Size Segment Indices aimed at:

- Including significant new eligible securities (such as IPOs that were not eligible for earlier inclusion) in the index.
- Allowing for significant moves of companies within the Size Segment Indices, using wider buffers than in the SAIR.
- Reflecting the impact of significant market events on FIFs and updating NOS.

QIRs are designed to ensure that the indices continue to be an accurate reflection of the evolving equity marketplace. This is achieved by a timely reflection of significant market driven changes that were not captured in the index at the time of their actual occurrence but are significant enough to be reflected before the next SAIR. QIRs may result in additions or deletions due to migration to another Size Segment Index, and changes in FIFs and in NOS. Only additions of significant new investable companies are considered, and only for the Standard Index. The buffer zones used to manage the migration of companies from one segment to another are wider than those used in the SAIR. The style classification is reviewed only for companies that are reassigned to a different size segment.

(iii) Ongoing event-related changes. Ongoing event-related changes to the indices are the result of mergers, acquisitions, spin-offs, bankruptcies, reorganizations and other similar corporate events. They can also result from capital reorganizations in the form of rights issues, bonus issues, public placements and other similar corporate actions that take place on a continuing basis. These changes generally are reflected in the indices at the time of the event. Significantly large IPOs are included in the indices after the close of the company's tenth day of trading.

Announcement Policy

The results of the SAIRs are announced at least two weeks in advance of their effective implementation dates as of the close of the last business day of May and November.

The results of the QIRs are announced at least two weeks in advance of their effective implementation dates as of the close of the last business day of February and August.

All changes resulting from corporate events are announced prior to their implementation in the MSCI indices.

The changes are typically announced at least ten business days prior to the changes becoming effective in the indices as an "expected" announcement, or as an "undetermined" announcement, when the effective dates are not known yet or when aspects of the event are uncertain. MSCI sends "confirmed" announcements at least two business days prior to events becoming effective in the indices, provided that all necessary public information concerning the event is available. The full list of all new and pending changes is delivered to clients on a daily basis, between 5:30 p.m. and 6:00 p.m., US Eastern Time.

In exceptional cases, events are announced during market hours for same or next day implementation. Announcements made by MSCI during market hours are usually linked to late company disclosure of corporate events or unexpected changes to previously announced corporate events.

In the case of secondary offerings representing at least 5% of a security's number of shares for existing constituents, these changes will be announced prior to the end of the subscription period when possible and a subsequent announcement confirming the details of the event (including the date of implementation) will be made as soon as the results are available.

Both primary equity offerings and secondary offerings for U.S. securities, representing at least 5% of the security's number of shares, will be confirmed through an announcement during market hours for next day or shortly after implementation, as the completion of the events cannot be confirmed prior to the notification of the pricing.

Early deletions of constituents due to bankruptcy or other significant cases are announced as soon as practicable prior to their implementation in the MSCI indices.

For Standard Index constituents, a more descriptive text announcement is sent to clients for significant events that meet any of the following criteria:

- Additions and deletions of constituents.
- Changes in free float-adjusted market capitalization equal to or larger than USD 5 billion, or with an impact of at least 1% of the constituent's underlying country index.

If warranted, MSCI Inc. may make additional announcements for events that are complex in nature and for which additional clarification could be beneficial.

IPOs and Other Early Inclusions. Early inclusions of large IPOs in the MSCI Standard Index Series are announced no earlier than the first day of trading and no later than before the opening of the third day of trading in the market where the company has its primary listing. Early inclusions of already listed securities following large secondary offerings of new and/or existing shares are announced no earlier than shortly after the end of the offer period.

GICS®. Non-event related changes in industry classification at the sub-industry level are announced at least two weeks prior to their implementation as of the close of the last U.S. business day of each month. MSCI announces GICS changes twice a month, the first announcement being made on the first U.S. business day of the month and the second one being made at least ten U.S. business days prior to the last U.S. business day of the month. All GICS changes announced in a given month will be implemented as of the close of the last U.S. business day of the month.

Index Calculation

Price Index Level

The MSCI indices are calculated using the Laspeyres' concept of a weighted arithmetic average together with the concept of chain-linking. As a general principle, the level of the relevant MSCI index level is obtained by applying the change in the market performance to the previous period level for such MSCI index.

$$PriceIndexLevelUSD_t = PriceIndexLevelUSD_{t-1} \times \frac{IndexAdjustedMarketCapUSD_t}{IndexInitialMarketCapUSD_t}$$

$$PriceIndexLevelLocal_t = PriceIndexLevelLocal_{t-1} \times \frac{IndexAdjustedMarketCapForLocal_t}{IndexInitialMarketCapUSD_t}$$

Where:

- $PriceIndexLevelUSD_{t-1}$ is the Price Index level in USD at time t-1
- $IndexAdjustedMarketCapUSD_t$ is the Adjusted Market Capitalization of the index in USD at time t
- $IndexInitialMarketCapUSD_t$ is the Initial Market Capitalization of the index in USD at time t
- $PriceIndexLevelLocal_{t-1}$ is the Price Index level in local currency at time t-1
- $IndexAdjustedMarketCapForLocal_t$ is the Adjusted Market Capitalization of the index in USD converted using FX rate as of t-1 and used for local currency index at time t

Note: *IndexInitialMarketCapUSD* was previously called *IndexUnadjustedMarketCapPreviousUSD*

Security Index of Price in Local Currency

The Security Index of Price is distributed in MSCI daily and monthly security products. It represents the price return from period to period by utilizing the concept of an index of performance with an arbitrary base value. The index of price is fully adjusted for capital changes and is expressed in local currency.

$$SecurityPriceIndexLevel_1 = SecurityPriceIndexLevel_{t-1} \times \frac{SecurityAdjustedMarketCapForLocal_t}{SecurityInitialMarketCapUSD_t}$$

$SecurityAdjustedMarketCapForLocal_t =$

$$\frac{IndexNumberOfShares_{t-1} \times PricePerShare_t \times InclusionFactor_t \times PAF_t}{FXrate_{t-1}} \times \frac{ICI_t}{ICI_{t-1}}$$

$$SecurityInitialMarketCapUSD_t = \frac{IndexNumberOfShares_{t-1} \times PricePerShare_{t-1} \times InclusionFactor_t}{FXrate_{t-1}}$$

Where:

- $SecurityPriceIndexLevel_{t-1}$ is Security Price Index level at time t-1.
- $SecurityAdjustedMarketCapForLocal_t$ is the Adjusted Market Capitalization of security s in USD converted using FX rate as of t-1.
- $SecurityInitialMarketCapUSD_t$ is the Initial Market Capitalization of security s in USD at time t.
- $IndexNumberOfShares_{t-1}$ is the number of shares of security s at time t-1.
- $PricePerShare_t$ is the price per share of security s at time t.
- $PricePerShare_{t-1}$ is the price per share of security s at time t-1.
- $InclusionFactor_t$ is the inclusion factor of security s at time t. The inclusion factor can be one or the combination of the following factors: Foreign Inclusion Factor, Domestic Inclusion Factor Growth Inclusion Factor, Value Inclusion Factor, Index Inclusion Factor.
- PAF_t is the Price Adjustment Factor of security s at time t.
- $FXrate_{t-1}$ is the FX rate of the price currency of security s vs USD at time t-1. It is the value of 1 USD in foreign currency.
- ICI_t is the Internal Currency Index of price currency at time t. The ICI is different than 1 when a country changes the internal value of its currency (*e.g.* from Turkish Lira to New Turkish Lira – ICI = 1,000,000).
- ICI_{t-1} is the Internal Currency Index of price currency at time t-1.

Index Market Capitalization

$IndexAdjustedMarketCapUSD_t =$

$$\sum_{s\ \varepsilon\ I,t} \frac{End\ of\ Day\ Number\ of\ Shares_{t-1} \times Price\ Per\ Share_t \times Inclusion\ Factor_t \times PAF_t}{FXrate_t}$$

$IndexAdjustedMarketCapForLocal_t =$

$$\sum_{s\ \varepsilon\ I,t} \left(\frac{End\ of\ Day\ Number\ of\ Shares_{t-1} \times Price\ Per\ Share_t \times Inclusion\ Factor_t \times PAF_t}{FXrate_{t-1}} \times \frac{ICI_t}{ICI_{t-1}} \right)$$

$IndexInitialMarketCapUSD_t =$

$$\sum_{s\ \varepsilon\ I,t} \frac{End\ of\ Day\ Number\ of\ Shares_{t-1} \times Price\ Per\ Share_t \times Inclusion\ Factor_t}{FXratet-1}$$

Where:

- *EndOfDayNumberOfShares*$_{t-1}$ is the number of shares of security s at the end of day t-1.
- *PricePerShare*$_t$ is the price per share of security s at time t.
- *PricePerShare*$_{t-1}$ is the price per share of security s at time t-1.
- *InclusionFactor*$_t$ is the inclusion factor of security s at time t. The inclusion factor can be one or the combination of the following factors: Foreign Inclusion Factor, Domestic Inclusion Factor Growth Inclusion Factor, Value Inclusion Factor, Index Inclusion Factor.
- *PAF*$_t$ is the Price Adjustment Factor of security s at time t.
- *FXrate*$_t$ is the FX rate of the price currency of security s vs USD at time t. It is the value of 1 USD in foreign currency.
- *FXrate*$_{t-1}$ is the FX rate of the price currency of security s vs USD at time t-1. It is the value of 1 USD in foreign currency.
- *ICI*$_t$ is the Internal Currency Index of price currency at time t. The ICI is different than 1 when a country changes the internal value of its currency (*e.g.* from Turkish Lira to New Turkish Lira, ICI = 1,000,000).
- *ICI*$_{t-1}$ is the Internal Currency Index of price currency at time t-1.

Corporate Events

Mergers and Acquisitions. As a general principle, MSCI implements M&As as of the close of the last trading day of the acquired entity or merging entities (last offer day for tender offers), regardless of the status of the securities (index constituents or non-index constituents) involved in the event. MSCI uses market prices for implementation. This principle applies if all necessary information is available prior to the completion of the event and if the liquidity of the relevant constituent(s) is not expected to be significantly diminished on the day of implementation. Otherwise, MSCI will determine the most appropriate implementation method and announce it prior to the changes becoming effective in the indices.

Tender Offers. In tender offers, the acquired or merging security is generally deleted from the MSCI indices at the end of the initial offer period, when the offer is likely to be successful and / or if the free float of the security is likely to be substantially reduced (this rule is applicable even if the offer is extended), or once the results of the offer have been officially communicated and the offer has been successful and the security's free float has been substantially reduced, if all required information is not available in advance or if the offer's outcome is uncertain. The main factors considered by MSCI when assessing the outcome of a tender offer (not in order of importance) are: the announcement of the offer as friendly or hostile, a comparison of the offer price to the acquired security's market price, the recommendation by the acquired company's board of directors, the major shareholders' stated intention whether to tender their shares, the required level of acceptance, the existence of pending regulatory approvals, market perception of the transaction, official preliminary results if any, and other additional conditions for the offer.

If a security is deleted from an index, the security will not be reinstated immediately after its deletion even when the tender offer is subsequently declared unsuccessful and/or the free float of the security is not substantially reduced. It may be reconsidered for index inclusion in the context of a quarterly index review or annual full country index review. MSCI uses market prices for implementation.

Late Announcements of Completion of Mergers and Acquisitions. When the completion of an event is announced too late to be reflected as of the close of the last trading day of the acquired or merging entities, implementation occurs as of the close of the following day or as soon as practicable thereafter. In these cases, MSCI uses a calculated price for the acquired or merging entities. The calculated price is determined using the terms of the transaction and the price of the acquiring or merged entity, or, if not appropriate, using the last trading day's market price of the acquired or merging entities.

Conversions of Share Classes. Conversions of a share class into another share class resulting in the deletion and/or addition of one or more classes of shares are implemented as of the close of the last trading day of the share class to be converted.

Spin-Offs. On the ex-date of a spin-off, a PAF is applied to the price of the security of the parent company. The PAF is calculated based on the terms of the transaction and the market price of the spun-off security. If the spun-off entity qualifies for inclusion, it is included as of the close of its first trading day.

In cases of spin-offs of partially-owned companies, the post-event free float of the spun-off entity is calculated using a weighted average of the existing shares and the spun-off shares, each at their corresponding free float. Any resulting changes to FIFs and/or Domestic Inclusion Factors ("DIFs") are implemented as of the close of the ex-date.

When the spun-off security does not trade on the ex-date, a "detached" security is created to avoid a drop in the free float-adjusted market capitalization of the parent entity, regardless of whether the spun-off security is added or not. The detached security is included until the spun-off security begins trading, and is deleted thereafter. Generally, the value of the detached security is equal to the difference between the cum price and the ex price of the parent security.

Corporate Actions. Corporate actions such as splits, bonus issues and rights issues, which affect the price of a security, require a price adjustment. In general, the PAF is applied on the ex-date of the event to ensure that security prices are comparable between the ex-date and the cum date. To do so, MSCI adjusts for the value of the right and/or the value of the special assets that are distributed. In general, corporate actions do not impact the free float of the securities because the distribution of new shares is carried out on a pro rata basis to all existing shareholders. Therefore, MSCI will generally not implement any pending number of shares and/or free float updates simultaneously with the event.

If a security does not trade for any reason on the ex-date of the corporate action, the event will be generally implemented on the day the security resumes trading.

Share Placements and Offerings. Changes in number of shares and FIF resulting from primary equity offerings representing at least 5% of the security's number of shares are generally implemented as of the close of the first trading day of the new shares, if all necessary information is available at that time. Otherwise, the event is implemented as soon as practicable after the relevant information is made available. A primary equity offering involves the issuance of new shares by a company. Changes in number of shares and FIF resulting from primary equity offerings representing less than 5% of the security's number of shares are deferred to the next regularly scheduled Index Review following the completion of the event. For public secondary offerings of existing constituents representing at least 5% of the security's number of shares, where possible, MSCI will announce these changes and reflect them shortly after the results of the subscription are known. Secondary public offerings that, given lack of sufficient notice, were not reflected immediately will be reflected at the following regularly scheduled Index Review. Secondary offerings involve the distribution of existing shares of current shareholders in a listed company and are usually pre-announced by a company or by a company's shareholders and open for public subscription during a pre-determined period. For U.S. securities, increases in number of shares and changes in FIFs and/or DIFs resulting from primary equity offerings and from secondary offerings representing at least 5% of the security's number of shares will be implemented as soon as practicable after the offering is priced. Generally, implementation takes place as of the close of the same day that the pricing of the shares is made public. If this is not possible, the implementation will take place as of the close of the following trading day.

Debt-to-Equity Swaps. In general, large debt-to-equity swaps involve the conversion of debt into equity originally not convertible at the time of issue. In this case, changes in numbers of shares and subsequent FIF and/or DIF changes are implemented as of the close of the first trading day of the newly issued shares, or shortly thereafter if all necessary information is available at the time of the swap. In general, shares issued in debt-to-equity swaps are assumed to be issued to strategic investors. As such, the post-event free float is calculated on a pro forma basis assuming that all these shares are non-free float. Changes in numbers of shares and subsequent FIF and/or DIF changes due to conversions of convertible bonds or other convertible instruments, including periodical conversions of preferred stocks and small debt-to-equity swaps are implemented as part of the quarterly index review.

Optional Dividends. In the case of an optional dividend, the company offers shareholders the choice of receiving the dividend either in cash or in shares. However, shareholders electing the cash option may receive the dividend consideration in cash or shares, or some combination of cash and shares. These dividends are a common practice in the U.S. For dividend reinvestment purposes, MSCI assumes that investors elect the cash option, therefore the dividend is reinvested in the MSCI Daily Total Return ("**DTR**") Indices and price adjustment is not necessary (if the dividend is less than 5% of the cum market price of the underlying security). In the event that shareholders electing the cash option receive the dividend distribution in shares, or a combination of cash and shares, MSCI will increase the number of shares accordingly after results have been officially communicated, with two full business days notice.

Suspensions, Delistings and Bankruptcies. MSCI will remove from the MSCI Equity Index Series as soon as practicable companies that file for bankruptcy, companies that file for protection from their creditors, and companies that fail stock exchanges listing requirements with announcements of delisting from the stock exchanges. MSCI will delete from the MSCI Equity Indices after 40 business days of suspension, where feasible, securities of companies facing financial difficulties. Securities of companies suspended due to pending corporate events (e.g., merger, acquisition, etc.), will continue to be maintained in the MSCI Indices until they resume trading regardless of the duration of the suspension period. When the primary exchange price is not available, MSCI will delete securities at an over the counter or equivalent market price when such a price is available and deemed relevant. If no over the counter or equivalent price is available, the security will be deleted at the smallest price (unit or fraction of the currency) at which a security can trade on a given exchange. For securities that are suspended, MSCI will carry forward the market price prior to the suspension during the suspension period.

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NASDAQ-100 Index®

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Index Calculation. First published in January 1985 with a base value of 125, the NASDAQ-100 Index is a modified capitalization-weighted index of 100 of the largest and most actively traded equity securities of non-financial companies listed on The NASDAQ Stock Market LLC ("NASDAQ"). The NASDAQ-100 Index includes companies across a variety of major industry groups. At any moment in time, the value of the NASDAQ-100 Index equals the aggregate value of the then-current NASDAQ-100 Index share weights of each of the NASDAQ-100 Index component securities, which are based on the total shares outstanding of each such NASDAQ-100 Index component security, multiplied by each such security's respective last sale price on NASDAQ (which may be the official closing price published by NASDAQ), and divided by a scaling factor (the "divisor"), which becomes the basis for the reported NASDAQ-100 Index value. The divisor serves the purpose of scaling such aggregate value (otherwise in the trillions) to a lower order of magnitude which is more desirable for NASDAQ-100 Index reporting purposes. If trading in a NASDAQ-100 Index security is halted on its primary listing market, the most recent last sale price for that security is used for all index computations until trading on such market resumes. Likewise, the most recent last sale price is used if trading in a NASDAQ-100 Index security is halted on its primary listing market before the market is open.

The formula for the value of the NASDAQ-100 Index is as follows:

$$\frac{\text{Aggregate adjusted market value of the NASDAQ-100 Index}}{\text{divisor}}$$

The formula for the divisor is as follows:

$$\text{Divisor} = \frac{\text{Market value after adjustments}}{\text{Market value before adjustments}} \times \text{divisor before adjustments}$$

Two versions of the NASDAQ-100 Index are calculated – a price return index and a total return index. The price return index is ordinarily calculated without regard to cash dividends on NASDAQ-100 Index securities. The total return index reinvests cash dividends on the ex-date. Both the price return and total return index reinvest extraordinary cash distributions. The total return index was synchronized to the value of the price return index at the close on March 4, 1999. The NASDAQ-100 Index is calculated during the trading day and is disseminated once per second from 09:30:01 to 17:16:00 Eastern Time. The closing value of the NASDAQ-100 Index may change up until 17:15:00 Eastern Time due to corrections to the last sale price of the NASDAQ-100 Index securities.

Eligibility. Index eligibility is limited to specific security types only. The security types eligible for the NASDAQ-100 Index include common stocks, ordinary shares, ADRs, shares of beneficial interest or limited partnership interests and tracking stocks. Security types not included in the NASDAQ-100 Index are closed-end funds, convertible debentures, exchange traded funds, preferred stocks, rights, warrants, units and other derivative securities. The NASDAQ-100 Index does not contain securities of investment companies.

To be eligible for initial inclusion in the NASDAQ-100 Index, a security must be listed on NASDAQ and meet certain eligibility criteria, which may be revised by NASDAQ OMX from time to time, including the following: the security's U.S. listing must be exclusively on the NASDAQ Global Select Market or the NASDAQ Global Market (unless the security was dually listed on another U.S. market prior to January 1, 2004 and has continuously maintained such listing); the security must be of a non-financial company; only one class of security per issuer may be included in the NASDAQ-100 Index; the security may not be issued by an issuer currently in bankruptcy proceedings; the security must have an average daily trading volume of at least 200,000 shares; the issuer of the security must be "seasoned" on a recognized market (generally, a company is considered to be seasoned if it has been listed on a market for at least two years; in the case of spin-offs, the operating history of the parent will be considered); if the security would otherwise qualify to be in the top 25% of the securities included in the NASDAQ-100 Index by market capitalization for the six prior consecutive month ends, then a one-year "seasoning" criteria would apply; if the issuer of the security is organized under the laws of a jurisdiction outside the United States, then such security must have listed options on a recognized options market in the United States or be eligible for listed-options trading on a recognized options market in the United States; the issuer of the security may not have annual financial statements with an audit opinion that is currently withdrawn; and the issuer of the security may not have entered into a definitive agreement or other arrangement which would likely result in the security no longer being eligible for inclusion in the NASDAQ-100 Index.

In addition, to be eligible for continued inclusion in the NASDAQ-100 Index, the following criteria apply: the security's U.S. listing must be exclusively on the NASDAQ Global Select Market or the NASDAQ Global Market (unless the security was dually listed on another U.S. market prior to January 1, 2004 and has continuously maintained such listing); the security must be of a non-financial company; the security may not be issued by an issuer currently in bankruptcy proceedings; the security must have an average daily trading volume of at least 200,000 shares (measured annually during the ranking review process); if the issuer of the security is organized under the laws of a jurisdiction outside the United States, then such security must have listed options on a recognized options market in the United States or be eligible for listed-options trading on a recognized options market in the United States (measured annually during the ranking review process); the issuer of the security may not have annual financial statements with an audit opinion that is currently withdrawn; and the security must have an adjusted market capitalization equal to or exceeding 0.10% of the aggregate adjusted market capitalization of the NASDAQ-100 Index at each month-end. In the event a company does not meet this criterion for two consecutive month-ends, it will be removed from the NASDAQ-100 Index effective after the close of trading on the third Friday of the following month.

Index Maintenance. The securities in the NASDAQ-100 Index are monitored every day by NASDAQ OMX with respect to changes in total shares outstanding arising from secondary offerings, stock repurchases, conversions or other corporate actions. NASDAQ OMX has adopted the following quarterly scheduled weight adjustment procedures with respect to such changes. If the change in total shares outstanding arising from such corporate action is greater than or equal to 5.0%, such change is made to the NASDAQ-100 Index on the evening prior to the effective date of such corporate action or as soon as practical thereafter. Otherwise, if the change in total shares outstanding is less than 5.0%, then all such changes are accumulated and made effective at one time on a quarterly basis after the close of trading on the third Friday in each of March, June, September and December. In either case, the NASDAQ-100 Index share weights for such NASDAQ-100 Index component securities are adjusted by the same percentage amount by which the total shares outstanding have changed in such NASDAQ-100 Index component securities.

Additionally, NASDAQ OMX may periodically (ordinarily, several times per quarter) replace one or more component securities in the NASDAQ-100 Index due to mergers, acquisitions, bankruptcies or other market conditions, or due to delisting if an issuer chooses to list its securities on another marketplace, or if the issuers of such component securities fail to meet the criteria for continued inclusion in the NASDAQ-100 Index.

The NASDAQ-100 Index share weights are also subject, in certain cases, to a rebalancing (see "Rebalancing of the NASDAQ-100 Index for Modified Capitalization-Weighted Methodology" below). Ordinarily, whenever there is a change in the NASDAQ-100 Index share weights or a change in a component security included in the NASDAQ-100 Index, NASDAQ OMX adjusts the divisor to assure that there is no discontinuity in the value of the NASDAQ-100 Index which might otherwise be caused by such change. All changes are announced in advance and are reflected in the NASDAQ-100 Index prior to market open on the effective date.

Annual Ranking Review. The composition of the securities underlying the NASDAQ-100 Index is, save under extraordinary circumstances, reviewed on an annual basis (the "**annual ranking review**"). Securities which meet the eligibility criteria described above are ranked by market value using their closing prices as of the end of October and publicly available statements of total shares outstanding submitted through the end of November. Eligible securities that remain ranked in the top 100 eligible securities based on market capitalization are retained in the NASDAQ-100 Index. Securities that rank between 101 and 125 are also retained, provided that such securities were ranked in the top 100 eligible securities as of the previous annual ranking review. Securities not meeting such criteria are replaced with securities that are eligible but not currently included in the NASDAQ-100 Index in order of largest market capitalization. Generally, the list of deletions and additions to be made pursuant to annual ranking reviews is publicly announced by NASDAQ OMX by means of a press release in early December, with such replacements made effective after the close of trading on the third Friday in December. Moreover, a security that fails to meet the criteria for continued inclusion will be replaced with the largest market capitalization security not currently included in the NASDAQ-100 Index. In all cases, a security is removed from the NASDAQ-100 Index at its last sale price.

Rebalancing of the NASDAQ-100 Index for Modified Capitalization-weighted Methodology. Effective after the close of trading on December 18, 1998, the NASDAQ-100 Index has been calculated under a "modified capitalization-weighted" methodology, which is a hybrid between equal weighting and conventional capitalization weighting. This methodology is expected to: (1) retain in general the economic attributes of capitalization weighting; (2) promote portfolio weight diversification (thereby limiting domination of the NASDAQ-100 Index by a few large stocks); (3) reduce NASDAQ-100 Index performance distortion by preserving the capitalization ranking of companies; and (4) reduce market impact on the smallest NASDAQ-100 Index component securities from necessary weight rebalancings.

Under the methodology employed, on a quarterly basis coinciding with NASDAQ OMX's quarterly scheduled weight adjustment procedures described above, the NASDAQ-100 Index component securities are categorized as either "Large Stocks" or "Small Stocks" depending on whether their current percentage weights (after taking into account such scheduled weight adjustments due to stock repurchases, secondary offerings or other corporate actions) are greater than, or less than or equal to, the average percentage weight in the NASDAQ-100 Index (i.e., as a 100-stock index, the average percentage weight in the NASDAQ-100 Index is 1.0%).

Such quarterly examination will result in a NASDAQ-100 Index rebalancing if either one or both of the following two weight distribution requirements are not met: (1) the current weight of the single largest market capitalization NASDAQ-100 Index component security must be less than or equal to 24.0% and (2) the "collective weight" of those NASDAQ-100 Index component securities whose individual current weights are in excess of 4.5%, when added together, must be less than or equal to 48.0%. In addition, NASDAQ OMX may conduct a special rebalancing if it is determined necessary to maintain the integrity of the NASDAQ-100 Index.

If either one or both of these weight distribution requirements are not met upon quarterly review or NASDAQ OMX determines that a special rebalancing is required, a weight rebalancing will be performed in accordance with the following plan. First, relating to weight distribution requirement (1) above, if the current weight of the single largest NASDAQ-100 Index component security exceeds 24.0%, then the weights of all Large Stocks will be scaled down proportionately towards 1.0% by enough for the adjusted weight of the single largest NASDAQ-100 Index component security to be set to 20.0%. Second, relating to weight distribution requirement (2) above, for those NASDAQ-100 Index component securities whose individual current weights or adjusted weights in accordance with the preceding step are in excess of 4.5%, if their "collective weight" exceeds 48.0%, then the weights of all Large Stocks will be scaled down proportionately towards 1.0% by just enough for the "collective weight," so adjusted, to be set to 40.0%.

The aggregate weight reduction among the Large Stocks resulting from either or both of the above rescalings will then be redistributed to the Small Stocks in the following iterative manner. In the first iteration, the weight of the largest Small Stock will be scaled upwards by a factor which sets it equal to the average NASDAQ-100 Index weight of 1.0%. The weights of each of the smaller remaining Small Stocks will be scaled up by the same factor reduced in relation to each stock's relative ranking among the Small Stocks such that the smaller the NASDAQ-100 Index component security in the ranking, the less the scale-up of its weight. This is intended to reduce the market impact of the weight rebalancing on the smallest component securities in the NASDAQ-100 Index.

In the second iteration, the weight of the second largest Small Stock, already adjusted in the first iteration, will be scaled upwards by a factor which sets it equal to the average index weight of 1.0%. The weights of each of the smaller remaining Small Stocks will be scaled up by this same factor reduced in relation to each stock's relative ranking among the Small Stocks such that, once again, the smaller the stock in the ranking, the less the scale-up of its weight.

Additional iterations will be performed until the accumulated increase in weight among the Small Stocks exactly equals the aggregate weight reduction among the Large Stocks from rebalancing in accordance with weight distribution requirement (1) and/or weight distribution requirement (2).

Then, to complete the rebalancing procedure, once the final percent weights of each NASDAQ-100 Index component security are set, the NASDAQ-100 Index share weights will be determined anew based upon the last sale prices and aggregate capitalization of the NASDAQ-100 Index at the close of trading on the last day in February, May, August and November. Changes to the NASDAQ-100 Index share weights will be made effective after the close of trading on the third Friday in March, June, September, and December and an adjustment to the NASDAQ-100 Index divisor will be made to ensure continuity of the NASDAQ-100 Index. Ordinarily, new rebalanced weights will be determined by applying the above procedures to the current NASDAQ-100 Index share weights. However, NASDAQ OMX may from time to time determine rebalanced weights, if necessary, by instead applying the above procedure to the actual current market capitalization of the NASDAQ-100 Index components. In such instances, NASDAQ OMX would announce the different basis for rebalancing prior to its implementation.

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NASDAQ Biotechnology Index®

The NASDAQ Biotechnology Index® is calculated, published and disseminated by NASDAQ OMX, and is designed to measure the performance of NASDAQ-listed companies that are classified according to the Industry Classification Benchmark as either biotechnology or pharmaceuticals which also meet other eligibility criteria determined by NASDAQ OMX.

The NASDAQ Biotechnology Index is calculated under a modified capitalization-weighted methodology. On November 1, 1993, the NASDAQ Biotechnology Index began with a base of 200.00. To be eligible for inclusion in the NASDAQ Biotechnology Index, a security must be listed on The NASDAQ Stock Market and meet the following criteria:

- the security's U.S. listing must be exclusively on the NASDAQ National Market (unless the security was dually listed on another U.S. market prior to January 1, 2004 and has continuously maintained such listing);
- the issuer of the security must be classified according to the Industry Classification Benchmark as either Biotechnology or Pharmaceuticals;
- the security may not be issued by an issuer currently in bankruptcy proceedings;
- the security must have a market capitalization of at least $200 million;
- the security must have an average daily trading volume of at least 100,000 shares;
- the issuer of the security may not have entered into a definitive agreement or other arrangement which would likely result in the security no longer being eligible for inclusion in the NASDAQ Biotechnology Index;
- the issuer of the security may not have annual financial statements with an audit opinion that is currently withdrawn; and
- the issuer of the security must have "seasoned" on NASDAQ or another recognized market for at least 6 months; in the case of spin-offs, the operating history of the spin-off will be considered.

Semi-annual Ranking Review. The securities composing the NASDAQ Biotechnology Index are evaluated semi-annually. Securities currently within the NASDAQ Biotechnology Index must meet the maintenance criteria of $100 million in market capitalization and 50,000 shares average daily trading volume. The securities included in the NASDAQ Biotechnology Index not meeting the maintenance criteria are retained in the NASDAQ Biotechnology Index provided that such security met the maintenance criteria in the previous semi-annual ranking. Securities not meeting the maintenance criteria for two consecutive rankings are removed. Index-eligible securities not currently in the NASDAQ Biotechnology Index are added. Changes will occur after the close of trading on the third Friday in May and November. The data used in the ranking includes end of March and September Nasdaq market data and is updated for total shares outstanding submitted in a publicly filed SEC document via EDGAR through the end of April and October.

In addition to the Ranking Review, the securities in the NASDAQ Biotechnology Index are monitored every day by NASDAQ OMX with respect to changes in total shares outstanding arising from secondary offerings, stock repurchases, conversions, or other corporate actions. NASDAQ OMX has adopted the following weight adjustment procedures with respect to such changes. Changes in total shares outstanding arising from stock splits, stock dividends, or spin-offs are generally made to the NASDAQ Biotechnology Index on the evening prior to the effective date of such corporate action. If the change in total shares outstanding arising from other corporate actions is greater than or equal to 5.0%, the change will be made as soon as practicable, normally within ten (10) days of such action. Otherwise, if the change in total shares outstanding is less than 5.0%, then all such changes are accumulated and made effective at one time on a quarterly basis after the close of trading on the third Friday in each of March, June, September, and December. In either case, the index share weights for such securities included in the NASDAQ Biotechnology Index are adjusted by the same percentage amount by which the total shares outstanding have changed in such securities included in the NASDAQ Biotechnology Index.

Nikkei 225 Index

The Nikkei 225 Index is a stock index calculated, published and disseminated by Nikkei Inc. (formerly known as Nihon Keizai Shimbun, Inc.), which we refer to as Nikkei, that measures the composite price performance of selected Japanese stocks. The Nikkei 225 Index currently is based on 225 underlying stocks (the "Nikkei Underlying Stocks") trading on the Tokyo Stock Exchange (the "TSE") representing a broad cross-section of Japanese industries. Stocks listed in the First

Section of the TSE are among the most actively traded stocks on the TSE. All 225 Nikkei Underlying Stocks are stocks listed in the First Section of the TSE. Nikkei rules require that the 75 most liquid issues (one-third of the component count of the Nikkei 225 Index) be included in the Nikkei 225 Index. Nikkei first calculated and published the Nikkei 225 Index in 1970.

The 225 companies included in the Nikkei 225 Index are divided into six sector categories: technology, financials, consumer goods, materials, capital goods/others and transportation and utilities. These six sector categories are further divided into 36 industrial classifications as follows:

- Technology — pharmaceuticals, electrical machinery, automobiles, precision machinery, telecommunications
- Financials — banks, miscellaneous finance, securities, insurance
- Consumer goods — marine products, food, retail, services
- Materials — mining, textiles, paper & pulp, chemicals, oil, rubber, ceramics, steel, nonferrous metals, trading houses
- Capital goods/others — construction, machinery, shipbuilding, transportation equipment, miscellaneous manufacturing, real estate
- Transportation and utilities — railroads & buses, trucking, shipping, airlines, warehousing, electric power, gas

The Nikkei 225 Index is a modified, price-weighted index (i.e., a Nikkei Underlying Stock's weight in the index is based on its price per share rather than the total market capitalization of the issuer) which is calculated by (i) multiplying the per share price of each Nikkei Underlying Stock by the corresponding weighting factor for such Nikkei Underlying Stock (a "Weight Factor"), (ii) calculating the sum of all these products and (iii) dividing such sum by a divisor (the "Nikkei Divisor"). The Nikkei Divisor was initially set at 225 for the date of May 16, 1949 using historical numbers from May 16, 1949, the date on which the Tokyo Stock Exchange was reopened. The Nikkei Divisor is subject to periodic adjustments as set forth below. Each Weight Factor is computed by dividing ¥50 by the par value of the relevant Nikkei Underlying Stock, so that the share price of each Nikkei Underlying Stock when multiplied by its Weight Factor corresponds to a share price based on a uniform par value of ¥50. The stock prices used in the calculation of the Nikkei 225 Index are those reported by a primary market for the Nikkei Underlying Stocks (currently the TSE). The level of the Nikkei 225 Index is calculated once per minute during TSE trading hours.

In order to maintain continuity in the Nikkei 225 Index in the event of certain changes due to non-market factors affecting the Nikkei Underlying Stocks, such as the addition or deletion of stocks, substitution of stocks, stock splits or distributions of assets to stockholders, the Nikkei Divisor used in calculating the Nikkei 225 Index is adjusted in a manner designed to prevent any instantaneous change or discontinuity in the level of the Nikkei 225 Index. Thereafter, the Nikkei Divisor remains at the new value until a further adjustment is necessary as the result of another change. As a result of such change affecting any Nikkei Underlying Stock, the Nikkei Divisor is adjusted in such a way that the sum of all share prices immediately after such change multiplied by the applicable Weight Factor and divided by the new Nikkei Divisor (i.e., the level of the Nikkei 225 Index immediately after such change) will equal the level of the Nikkei 225 Index immediately prior to the change.

A Nikkei Underlying Stock may be deleted or added by Nikkei. Any stock becoming ineligible for listing in the First Section of the TSE due to any of the following reasons will be deleted from the Nikkei Underlying Stocks: (i) bankruptcy of the issuer, (ii) merger of the issuer with, or acquisition of the issuer by, another company, (iii) delisting of such stock, (iv) transfer of such stock to the "Seiri-Post" because of excess debt of the issuer or because of any other reason or (v) transfer of such stock to the Second Section. In addition, a component stock transferred to the "Kanri-Post" (post for stocks under supervision) is in principle a candidate for deletion. Nikkei Underlying Stocks with relatively low liquidity, based on trading value and rate of price fluctuation over the past five years, may be deleted by Nikkei. Upon deletion of a stock from the Nikkei Underlying Stocks, Nikkei will select a replacement for such deleted Nikkei Underlying Stock in accordance with certain criteria. In an exceptional case, a newly listed stock in the First Section of the TSE that is recognized by Nikkei to be representative of a market may be added to the Nikkei Underlying Stocks. When a new stock is added to the Nikkei Underlying Stocks, an existing Nikkei Underlying Stock with low trading volume deemed not to be representative of a market will be deleted by Nikkei. A list of the issuers of the Nikkei Underlying Stocks constituting Nikkei 225 Index is available from the Nikkei Economic Electronic Databank System.

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Palisades Water Index

The Palisades Water Index is a modified equal-dollar weighted index comprised of U.S. exchange-traded companies whose business stands to benefit significantly from the quantity and/or quality issues associated with the global provision of clean drinking water. The Palisades Water Index is rebalanced each March, June, September and December. The index divisor was initially determined to yield a benchmark value of 1000.00 at the close of trading December 31, 2003. The Palisades Water Index was created by and is a trademark of Palisades Water Index Associates, LLC, the index provider. The Palisades Water Index is calculated by NYSE Euronext Global Index Group. The value of the index is disseminated through the NYSE Euronext Global Index Service Feed under the ticker symbol "ZWI".

Sector Definitions

Water Utilities: Water utilities are the regulated purveyors of water responsible for getting water supplies to residential, commercial and industrial users. As public utilities, they are under the jurisdiction of regulatory bodies and must comply with federal and state regulatory requirements to ensure the safety of drinking water and the protection of the environment. Foreign water utilities may operate under different regulatory frameworks than U.S. water utilities. The investor-owned water utilities included in the index generally oversee the water and wastewater facilities for a specific geographical region or are structured as holding companies comprised of geographically diverse operating divisions.

Treatment: Treatment refers to the application of technologies and/or processes that alter the composition of water to achieve a beneficial objective in its use. Water treatment specifically refers to the process of converting source water to drinking water of sufficient quality to comply with applicable regulations or to treat water in the optimization of an industrial process. Wastewater treatment, though extricably linked to the provision of potable water and sanitation, can be differentiated within the treatment category by the objective of environmental protection. The treatment category, therefore, comprises those companies that play a key role in the physical, chemical or biological integrity of water and wastewater supplies. While conventional centralized water and wastewater treatment equipment is the core of the treatment group, advanced treatment methods, enabling convergent technologies and innovative treatment systems are key drivers. Subsectors include chemicals/media, filtration/separation, disinfection, desalination, and decentralized technologies such as point-of-use (POU) or point-of-use-reuse (POUR) applications.

Analytical/Monitoring: The Analytical Group includes companies that provide services, manufacture instrumentation or develop techniques for the analysis, testing or monitoring of water and/or wastewater quality parameters. These analytics are applied to, directly or indirectly, achieve either a mandated compliance requirement or a management objective in optimizing the function of water relative to a specific use, whether municipal or industrial. The group is driven by the convergence of materials technologies, information technologies (protocol algorithms), sensor technologies and advanced electronics.

Infrastructure/Distribution: This category includes the companies that stand to benefit from the construction, replacement, repair and rehabilitation of water distribution systems, wastewater systems, and stormwater collection systems throughout the world. Companies within the group service and supply the components of the vast interconnected network of pipelines, mains, pumps, storage tanks, lift stations, and smaller appurtenances of a distribution system such as valves and flow meters. The group also includes the rehabilitation market comprised of 'in-situ' technologies utilized to upgrade, maintain and restore pipe networks as a cost-effective alternative to new construction.

Water Resource Management: Water resource management is a service-oriented approach to the integration of the economic principles of resource sustainability with global water usage. This group includes companies that provide engineering, construction, operations, and related technical services to public and private customers in virtually all aspects of managing water resources, agricultural irrigation, and privatization activities.

Conglomerates: The Conglomerates sector comprises those companies that contribute significantly to the water industry yet are extensively diversified into other industries or markets such that the contribution of water-related activities is relatively small. Conglomerates are reviewed on a case-by-case basis. These companies may not be conglomerates in the traditional sense but may have instead sought to apply a particular platform technology, product-line or service capability across several global markets, including water. While companies classified in other index sectors may be said to be engaged in the water industry when viewed externally, the conglomerates sector contains leading companies that have business brands or activities that are widely recognized from within the water industry.

Eligibility Criteria for Index Components

The Palisades Water Index includes companies that focus on the provision of potable water, the treatment of water and wastewater for municipal, agricultural and industrial processes and the technologies and services that are directly related to water consumption across applications. Component companies must be listed on a U.S. stock exchange (e.g., the New York Stock Exchange, NYSE Euronext, NYSE Amex, NYSE Arca, the Nasdaq Stock Market, etc.) and can therefore include ADRs and/or ADSs. To be included in the index, new index components must meet the following criteria each Determination Date:

- Market capitalization is at least $150 million.
- Traded volume greater than 100,000 shares for each of the prior three months.
- A minimum Average Daily Traded Volume (ADTV) of at least $500,000 for the prior three months.

The index provider may at any time and from time to time change the number of issues comprising the Palisades Water Index by adding or deleting one or more components or sectors, or replacing one or more issues contained in the Palisades Water Index with one or more substitute stocks of its choice, if, in the index provider's discretion, such addition, deletion or substitution is necessary or appropriate to maintain the quality and/or character of the industry groups to which the Palisades Water Index relates.

Calculation Methodology

The Palisades Water Index is calculated using a modified equal weighting methodology. Component securities are equally weighted within their respective Sector. Each Sector is assigned an aggregate weight within the index. Sector weightings were initially determined by the index provider and are reviewed each quarter in conjunction with the scheduled quarterly review of the Palisades Water Index. Within each sector the component weightings cannot exceed five percent (5%) of the Palisades Water Index.

Quarterly Updates to the Palisades Water Index

The component weights will be determined and announced at the close of trading two days prior to the Rebalance Date. The index components are determined five days prior to the Rebalance Date. For a component to remain in the Palisades Water Index, the component must meet the following continued inclusion rules:

- Maintain a total market capitalization above $100 million on the determination date.
- Maintain traded volume greater than 100,000 shares for each of the prior three months.
- Maintain a minimum Average Daily Traded Volume (ADTV) of at least $500,000 for the prior three months.

In conjunction with the quarterly review, the share weights used in the calculation of the Palisades Water Index are updated based upon newly assigned Sector weights and index component prices as of the close of trading two business days prior to the Rebalance Date. The share weight of each component in the index portfolio remains fixed between quarterly reviews except in the event of certain types of corporate actions such as splits, reverse splits, stock dividends, or similar events.

Maintenance of the Palisades Water Index

In the event of a merger between two components, the share weight of the surviving entity may be adjusted to account for any shares issued in the acquisition. The index provider may substitute components or change the number of issues included in the index, based on changing conditions in the industry or in the event of certain types of corporate actions, including mergers, acquisitions, spin-offs, and reorganizations. In the event of component or share weight changes to the index portfolio, the payment of dividends other than ordinary cash dividends, spin-offs, rights offerings, re-capitalization, or other corporate actions affecting a component of the Palisades Water Index; the index divisor may be adjusted to ensure that there are no changes to the index level as a result of non-market forces.

PHLX Housing Sector℠ Index

The PHLX Housing Sector℠ Index (the "PHLX Housing Index") was developed by the predecessor to NASDAQ OMX PHLX and is calculated, maintained and published by NASDAQ OMX PHLX, which is the index publisher. The PHLX Housing Index is composed of companies whose primary lines of business are directly associated with the United States housing construction market.

The PHLX Housing Index is a modified market capitalization-weighted index. The value of the PHLX Housing Index equals the aggregate value of the index share weights (the "Index Shares"), of each of the index component securities multiplied by each such security's last sale price, and divided by the divisor of the PHLX Housing Index. The divisor serves the purpose of scaling such aggregate index value to a lower order of magnitude which is more desirable for reporting purposes. If trading in an index component security is halted on its primary listing market, the most recent last sale price for that security is used for all index computations until trading on such market resumes. Likewise, the most recent last sale price is used if trading in a security is halted on its primary listing market before the market is open. The PHLX Housing Index was set to an initial value of 250 on January 2, 2002. Options commenced trading on the PHLX Housing Index on July 17, 2002. The level of the PHLX Housing Index was split in half on February 1, 2006. The PHLX Housing Index value calculation is described by the following formula:

$$\frac{\text{Aggregate Adjusted Market Value}}{\text{Divisor}}$$

Two versions of the PHLX Housing Index are calculated – a price return index and a total return index. The price return index (NASDAQ: HGX) is ordinarily calculated without regard to cash dividends on index component securities. The total return index (NASDAQ: XHGX) reinvests cash dividends on the ex-date. Both indexes reinvest extraordinary cash distributions. The total return index was synchronized to the value of the price return index at the close on June 30, 2011.

Eligibility and Adjustments

The security types eligible for the PHLX Housing Index include common stocks, ordinary shares, shares of beneficial interest or limited partnership interests and tracking stocks. Security types not included in the PHLX Housing Index are ADRs, closed-end funds, convertible debentures, exchange traded funds, preferred stocks, rights, warrants, units and other derivative securities.

To be eligible for initial inclusion in the PHLX Housing Index, a security must meet the following criteria: (1) a security must be listed on The Nasdaq Stock Market, the New York Stock Exchange, or NYSE Amex; (2) the issuer of the security must be classified, as reasonably determined by NASDAQ OMX, as a company whose primary business is associated with the U.S. housing construction market; (3) only one class of security per issuer is allowed; (4) the security must have a market capitalization of at least $100 million; (5) the security must have traded at least 1.5 million shares in each of the last six months; (6) the security must have listed options on a recognized options market in the U.S. or be eligible for listed-options trading on a recognized options market in the U.S.; (7) the security may not be issued by an issuer currently in bankruptcy proceedings; (8) the issuer of the security may not have entered into a definitive agreement or other arrangement which would likely result in the security no longer being Index eligible; (9) the issuer of the security may not have annual financial statements with an audit opinion that is currently withdrawn; and (10) the issuer of the security must have "seasoned" on a recognized market for at least 6 months; in the case of spin-offs, the operating history of the parent will be considered.

To be eligible for continued inclusion in the PHLX Housing Index, a security must meet the following criteria: (1) a security must be listed on the Nasdaq Stock Market, the New York Stock Exchange, or NYSE Amex; (2) the issuer of the security must be classified, as reasonably determined by NASDAQ OMX, as a company whose primary business is in the U.S. housing sector; (3) the security must have a market capitalization of at least $60 million; (4) the security may not be issued by an issuer currently in bankruptcy proceedings; and (5) the issuer of the security may not have annual financial statements with an audit opinion that is currently withdrawn.

Index Maintenance

Changes in the price and/or Index Shares driven by corporate events such as stock dividends, stock splits, and certain spin-offs and rights issuances are adjusted on the ex-date. If the change in total shares outstanding arising from other corporate actions is greater than or equal to 10%, the change is made as soon as practicable. Otherwise, if the change in total shares outstanding is less than 10%, then all such changes are accumulated and made effective at one time on a quarterly basis after the close of trading on the third Friday in each of March, June, September and December. The Index Shares are derived from the security's total shares outstanding. The Index Shares are adjusted by the same percentage amount by which the total shares outstanding have changed. In the case of a special cash dividend, a determination is made on an individual basis whether to make a change to the price of an index component security in accordance with its index dividend policy. If it is determined that a change will be made, it will become effective on the ex-date. Ordinarily, whenever there is a change in Index Shares, a change in an index component security or a change to the price of an index component security due to spin-offs, rights issuances or special cash dividends, the divisor is adjusted to ensure that there is no discontinuity in the value of the PHLX Housing Index which might otherwise be caused by any such change. All changes are announced in advance and are reflected in the PHLX Housing Index prior to market open on the Index effective date.

Index Rebalancing

The PHLX Housing Index shall employ a modified market capitalization-weighting methodology. At each quarter, the index is rebalanced such that the maximum weight of any index component security will not exceed 15% and no more than 2 securities will be at the cap. Any security then in excess of 8% will be capped at 8%. The aggregate amount by which all securities over 15% and 8% is reduced will be redistributed proportionally across the remaining index component securities. After redistribution, if any other index component security then exceeds 8%, the index component security is set to 8% of the PHLX Housing Sector Index and the redistribution is repeated to derive the final weights.

The modified market capitalization-weighted methodology is applied to the capitalization of each index component security, using the last sale price of the security at the close of trading on the first Friday in March, June, September, and December and after applying quarterly changes to the total shares outstanding. Index Shares are then calculated multiplying the weight of the security by the new market value of the Index and dividing the modified market capitalization for each index component security by its corresponding last sale price. The changes become effective after trading on the third Friday

In this index supplement, unless the context requires otherwise, references to the PHLX Housing Index will include any successor index and references to the index publisher will include any successor to the index publisher.

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PHLX Marine Shipping Sector℠ Index

The PHLX Marine Shipping Sector℠ Index (the "PHLX Marine Index") (NASDAQ symbol: SHX) was developed by the predecessor to NASDAQ OMX PHLX and is calculated, maintained and published by NASDAQ OMX PHLX. The PHLX Marine Index is composed of companies primarily involved in worldwide seaborne transportation of liquid goods such as crude oil, petroleum products, chemicals, and dry goods, such as iron ore and agricultural commodities.

The PHLX Marine Index is an equal-dollar weighted index. The value of the PHLX Marine Index equals the aggregate value of the index share weights, also known as the Index Shares (the "Index Shares"), of each of the index component security multiplied by each such security's last sale price, and divided by the divisor of the Index. The divisor serves the purpose of scaling such aggregate index value to a lower order of magnitude, which is more desirable for reporting purposes. If trading in an index component security is halted on its primary listing market, the most recent last sale price for that security is used for all index computations until trading on such market resumes. Likewise, the most recent last sale price is used if trading is halted on its primary listing market before the market is open. The PHLX Marine Index began on March 1, 2007 at a base value of 250.00. The PHLX Marine Index value calculation is described by the following formula:

$$\frac{\text{Aggregate Adjusted Market Value}}{\text{Divisor}}$$

Eligibility

Index eligibility is limited to specific security types only. The security types eligible for the PHLX Marine Index include common stocks, ordinary shares, ADRs, shares of beneficial interest or limited partnership interests, and tracking stocks. Security types not included in the Index are closed-end funds, convertible debentures, exchange traded funds, preferred stocks, rights, warrants, units and other derivative securities.

To be eligible for initial inclusion in the PHLX Marine Index, a security must meet the following criteria: (1) a security must be listed on The Nasdaq Stock Market, the New York Stock Exchange, or NYSE Amex; (2) the issuer of the security must be classified, as reasonably determined by NASDAQ OMX, as a company whose primary business is worldwide seaborne transportation; (3) only one class of security per issuer is allowed; (4) the security may not be issued by an issuer currently in bankruptcy proceedings; (5) the security must have a market capitalization of at least $100 million; (6) the issuer of the security may not have entered into a definitive agreement or other arrangement which would likely result in the security no longer being Index eligible; (7) the issuer of the security may not have annual financial statements with an audit opinion that is currently withdrawn; and (8) the issuer of the security must have "seasoned" on a recognized market for at least 6 months; in the case of spin-offs, the operating history of the parent will be considered.

To be eligible for continued inclusion in the PHLX Marine Index, a security must meet the following criteria: (1) the security must be listed on The Nasdaq Stock Market, the New York Stock Exchange, or NYSE Amex; (2) the issuer of the security must be classified, as reasonably determined by NASDAQ OMX, as a company whose primary business is worldwide seaborne transportation ; (3) the security may not be issued by an issuer currently in bankruptcy proceedings; and (4) the issuer of the security may not have annual financial statements with an audit opinion that is currently withdrawn.

Index Maintenance

Index share changes are not made during the quarter. However, changes arising from stock splits and stock dividends are made to the PHLX Marine Index on the evening prior to the effective date of such corporate action. In the case of certain spin-offs or rights issuances, the price of the index component security is adjusted and a corresponding adjustment is made to the Index Shares such that the weight of the index component security will not change as a result of the action. In the case of a special cash dividend, a determination is made on an individual basis whether to make a change to the price of an index component security in accordance with its index dividend policy. If it is determined that a change will be made, a corresponding adjustment will be made to the Index Shares of the security such that the weight of the index component security will not change as a result of the action. Any such change will become effective on the ex-date. All changes are made after market close and are reflected in the PHLX Marine Index prior to market open the following morning.

Index Rebalancing

The PHLX Marine Index employs an equal-dollar weighting methodology such that such security's market value is rebalanced quarterly to an equal-dollar value corresponding to an equal percent weight of the PHLX Marine Index's aggregate market value. Index Shares are calculated by dividing this equal-dollar value for each Index Security by the corresponding last sale price of the security at the close of trading on the third Friday in each January, April, July, and October. The changes are made effective after the close of trading on the same date.

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PHLX Oil Service Sector℠ Index

The PHLX Oil Service Sector℠ Index (the "PHLX Oil Index") was developed by the predecessor to NASDAQ OMX PHLX and is calculated, maintained and published by NASDAQ OMX PHLX. The PHLX Oil Index is designed to track the performance of a set of companies involved in the oil services sector.

The PHLX Oil Index is a price-weighted index. The value of the PHLX Oil Index equals the aggregate value of the index share weights, also known as the Index Shares (the “Index Shares”), of each of the index component securities, which is fixed at 10,000,000, multiplied by each such security’s last sale price, and divided by the divisor of the PHLX Oil Index. The divisor serves the purpose of scaling such aggregate index value to a lower order of magnitude which is more desirable for reporting purposes. If trading in an index component security is halted on its primary listing market, the most recent last sale price for that security is used for all index computations until trading on such market resumes. Likewise, the most recent last sale price is used if trading is halted on its primary listing market before the market is open. The PHLX Oil Index began on December 31, 1996 at a base value of 75.00. The PHLX Oil Index value calculation is described by the following formula:

$$\frac{\text{Aggregate Adjusted Market Value}}{\text{Divisor}}$$

Two versions of the PHLX Oil Index are calculated – a price return index and a total return index. The price return index (NASDAQ: OSX) is ordinarily calculated without regard to cash dividends on the index component securities. The total return index (NASDAQ: XOSX) reinvests cash dividends on the ex-date. Both indexes reinvest extraordinary cash distributions. The total return index was synchronized to the value of the price return index at the close on June 30, 2011.

Eligibility

Index eligibility is limited to specific security types only. The security types eligible for the PHLX Oil Index include common stocks, ordinary shares, ADRs, shares of beneficial interest or limited partnership interests, and tracking stocks. Security types not included in the PHLX Oil Index are closed-end funds, convertible debentures, exchange traded funds, preferred stocks, rights, warrants, units and other derivative securities.

To be eligible for initial inclusion in the PHLX Oil Index, a security must meet the following criteria: (1) a security must be listed on The Nasdaq Stock Market, the New York Stock Exchange, or NYSE Amex; (2) the issuer of the security must be classified, as reasonably determined by NASDAQ OMX, as a company whose primary business is in the oil services sector; (3) only one class of security per issuer is allowed; (4) the security must have a market capitalization of at least $100 million; (5) the security must have traded at least 1.5 million shares in each of the last six months; (6) the security must have listed options on a recognized options market in the U.S. or be eligible for listed-options trading on a recognized options market in the U.S.; (7) the security may not be issued by an issuer currently in bankruptcy proceedings; (8) the issuer of the security may not have entered into a definitive agreement or other arrangement which would likely result in the security no longer being eligible; (9) the issuer of the security may not have annual financial statements with an audit opinion that is currently withdrawn; and (10) the issuer of the security must have “seasoned” on a recognized market for at least 6 months; in the case of spin-offs, the operating history of the parent will be considered.

To be eligible for continued inclusion in the PHLX Oil Index, a security must meet the following criteria: (1) the security must be listed on The Nasdaq Stock Market, the New York Stock Exchange, or NYSE Amex; (2) the issuer of the security must be classified, as reasonably determined by NASDAQ OMX, as a company whose primary business is in the oil services sector; (3) the security must have a market capitalization of at least $60 million; (4) the security may not be issued by an issuer currently in bankruptcy proceedings; and (5) the issuer of the security may not have annual financial statements with an audit opinion that is currently withdrawn.

Index Maintenance

Changes in the price of an index component security derived by corporate events such as stock dividends, stock splits, certain spin-offs, and rights issuances will be adjusted on the ex-date and the shares shall remain fixed. In the case of a special cash dividend, a determination is made on an individual basis whether to make a change to the price of an index component security in accordance with its index dividend policy. If it is determined that a change will be made, it will become effective on the ex-date and advance notification will be made. Ordinarily, whenever there is a change in the price of an index component security due to stock dividends, stock splits, spin-offs, rights issuances, or special cash dividends, the divisor is adjusted to ensure that there is no discontinuity in the value of the PHLX Oil Index, which might otherwise be caused by any such change. All changes are announced in advance and will be reflected in the PHLX Oil Index prior to market open on the PHLX Oil Index effective date.

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PHLX Semiconductor Sector℠ Index

The PHLX Semiconductor Sector℠ Index (the "PHLX Semiconductor Index"), was developed by the predecessor to NASDAQ OMX PHLX and is calculated, maintained and published by NASDAQ OMX PHLX. The PHLX Semiconductor Index is designed to track the performance of a set of companies engaged in the design, distribution, manufacture and sale of semiconductors.

The PHLX Semiconductor Sector Index is a modified capitalization-weighted index. The value of the PHLX Semiconductor Index equals the aggregate value of the index share weights, also known as the Index Shares (the "Index Shares"), of each of the index component securities multiplied by each such security's last sale price, and divided by the divisor of the PHLX Semiconductor Index. The divisor serves the purpose of scaling such aggregate index value to a lower order of magnitude which is more desirable for reporting purposes. If trading in an index component security is halted on its primary listing market, the most recent last sale price is used for all index computations until trading on such market resumes. Likewise, the most recent last sale price is used if trading in a security is halted on its primary listing market before the market is open. The PHLX Semiconductor Index began on December 1, 1993 at a base value of 100.00, as adjusted. The PHLX Semiconductor Index value calculation is described by the following formula:

$$\frac{\text{Aggregate Adjusted Market Value}}{\text{Divisor}}$$

Two versions of the PHLX Semiconductor Index are calculated – a price return index and a total return index. The price return index (NASDAQ: SOX) is ordinarily calculated without regard to cash dividends on index component securities. The total return index (NASDAQ: XSOX) reinvests cash dividends on the ex-date. Both Indices reinvest extraordinary cash distributions. The total return index was synchronized to the value of the price return index at the close on December 22, 2009.

Eligibility

Index eligibility is limited to specific security types only. The security types eligible for the PHLX Semiconductor Index include common stocks, ordinary shares, ADRs, shares of beneficial interest or limited partnership interests and tracking stocks. Security types not included in the PHLX Semiconductor Index are closed-end funds, convertible debentures, exchange traded funds, preferred stocks, rights, warrants, units and other derivative securities.

Initial Security Eligibility Criteria

To be eligible for inclusion in the PHLX Semiconductor Index, a security must meet the following criteria: (1) a security must be listed on the Nasdaq Stock Market, the New York Stock Exchange, or NYSE Amex; (2) the issuer of the security must be classified, as reasonably determined by NASDAQ OMX, as a company whose primary business is involved in the design, distribution, manufacture and sale of semiconductors; (3) only one class of security per issuer is allowed; (4) the security must have a market capitalization of at least $100 million; (5) the security must have traded at least 1.5 million shares in each of the last six months; (6) the security must have listed options on a recognized options market in the U.S. or be eligible for listed-options on a recognized options market in the U.S.; (7) the security may not be issued by an issuer currently in bankruptcy proceedings; (8) the issuer of the security may not have entered into a definitive agreement or other arrangement which would likely result in the security no longer being eligible; (9) the issuer of the security may not have annual financial statements with an audit opinion that is currently withdrawn; and (10) the issuer of the security must have "seasoned" on a recognized market for at least 6 months; in the case of the spin-offs, the operating history of the parent will be considered.

To be eligible for continued inclusion in the PHLX Semiconductor Index, an index component security must meet the following criteria: (1) a security must be listed on The Nasdaq Stock Market, the New York Stock Exchange, or NYSE Amex; (2) the issuer of the security must be classified, as reasonably determined by NASDAQ OMX, as a company whose primary business is involved in the design, distribution, manufacture, and sale of semiconductors; (3) the security must have a market capitalization of at least $60 million; (4) the security may not be issued by an issuer currently in bankruptcy proceedings; and (5) the issuer of the security may not have annual financial statements with an audit opinion that is currently withdrawn.

Index Maintenance

Changes in the price and/or Index Shares driven by corporate events such as stock dividends, stock splits and certain spin-offs and rights issuances are adjusted on the ex-date. If the change in total shares outstanding arising from other corporate actions is greater than or equal to 10%, the change is made as soon as practicable. Otherwise, if the change in total shares outstanding is less than 10%, then all such changes are accumulated and made effective at one time on a quarterly basis after the close of trading on the third Friday in each of March, June, September and December. The Index Shares are derived from the security's total shares outstanding. Intraquarter, the Index Shares are adjusted by the same percentage amount by which the total shares outstanding have changed. In the case of a special cash dividend, a determination is made on an individual basis whether to make a change to the price of an index component security in accordance with its index dividend policy. If it is determined that a change will be made, it will become effective on the ex-date. Ordinarily, whenever there is a change in Index Shares, a change in an index component security, or a change to the price of an index component security due to spin-offs, rights issuance or special cash dividends, the divisor is adjusted to ensure that there is no discontinuity in the value of the PHLX Semiconductor Index which might otherwise be caused by any such change. All changes are announced in advance and are reflected in the PHLX Semiconductor Index prior to market open on the PHLX Semiconductor Index effective date.

Index Rebalancing

The PHLX Semiconductor Index employs a modified market capitalization-weighting methodology. At each quarter, the PHLX Semiconductor Index is rebalanced such that the maximum weight of any index component security does not exceed 8% and no more than 5 securities are at that cap. The excess weight of any capped security is distributed proportionally across the remaining index component securities. If after redistribution, any of the 5 highest ranked index component securities are weighted below 8%, these securities are not capped. Next, any remaining index component securities in excess of 4% are capped at 4% and the excess weight is redistributed proportionally across the remaining index component securities. The process is repeated, if necessary, to derive the final weights.

The modified market capitalization-weighting methodology is applied to the capitalization of each index component security, using the last sale price of the security at the close of trading on the last trading day in February, May, August and November and after applying quarterly changes to the total shares outstanding. Index Shares are then calculated multiplying the weight of the security derived above by the new market value of the PHLX Semiconductor Index and dividing the modified market capitalization for each index component security by its corresponding Last Sale Price. The changes are effective after trading on the third Friday in March, June, September and December.

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Russell 1000® Growth Index

The Russell 1000® Growth Index is a sub-group of the Russell 1000® Index, which is an index calculated, published and disseminated by Russell Investments, a subsidiary of Russell Investment Group, and measures the composite price performance of stocks of 1,000 companies (the "Russell 1000 Component Stocks") incorporated in the U.S. and its territories. All 1,000 stocks are traded on a major U.S. exchange and are the 1,000 largest securities that form the Russell 3000® Index. The Russell 3000 Index is composed of the 3,000 largest U.S. companies as determined by market capitalization and represents approximately 98% of the U.S. equity market. The Russell 1000 Index consists of the largest 1,000 companies included in the Russell 3000 Index and represents approximately 92% of the total market capitalization of the U.S. equity market. The Russell 1000 Index is designed to track the performance of the large-capitalization segment of the U.S. equity market.

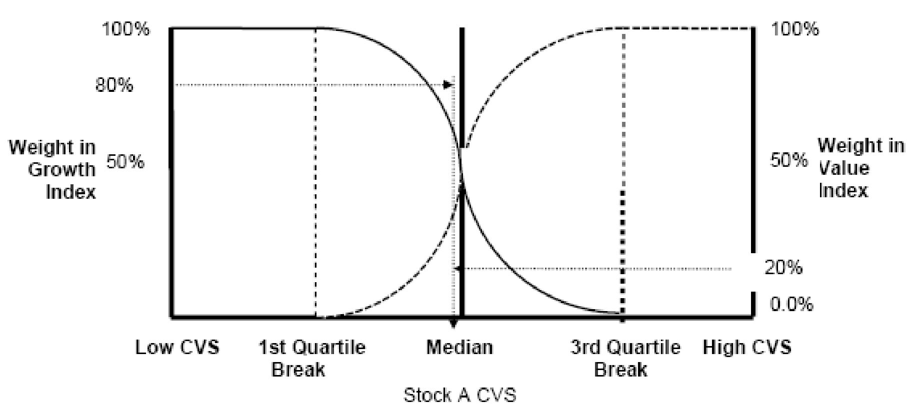
Selection of stocks underlying the Russell 1000 Growth Index. The Russell 1000 Growth Index is a sub-group of the Russell 1000 Index. To be eligible for inclusion in the Russell 1000 Index, and, consequently, the Russell 1000 Growth Index, a company's stocks must be listed on the last trading day in May of a given year and Russell Investments must have access to documentation verifying the company's eligibility for inclusion. Beginning September 2004, eligible initial public offerings are added to Russell U.S. Indices at the end of each calendar quarter, based on total market capitalization rankings within the market-adjusted capitalization breaks established during the most recent reconstitution. To be added to any Russell U.S. index during a quarter outside of reconstitution, initial public offerings must meet additional eligibility criteria.

Only companies that are determined to be part of the U.S. equity market are eligible for inclusion in the Russell 1000 Growth Index. All securities eligible for inclusion must trade on a major U.S. exchange. Bulletin board, pink sheet or over-the-counter traded securities are not eligible for inclusion. Stocks must have a close price at or above $1.00 on their primary exchange or on another major U.S. exchange on the last trading day in May to be considered eligible for inclusion. The following companies are specifically excluded from the Russell 1000 Growth Index: (i) companies with a total market capitalization less than $30 Million; (ii) companies with only a small portion of their shares available in the marketplace; (iii) royalty trusts, limited liability companies, closed-end investment companies (business development companies are eligible), blank check companies, special purpose acquisition companies and limited partnerships. In addition, preferred and convertible preferred stock, redeemable shares, participating preferred stock, warrants, rights and trust receipts are not eligible for inclusion.

Russell Investments uses a "non-linear probability" method to assign stocks to the growth and value style indices. The term "probability" is used to indicate the degree of certainty that a stock is value or growth based on its relative book-to-price (B/P) ratio, I/B/E/S forecast medium-term growth (2 year) and sales per share historical growth (5 year). This method allows stocks to be represented as having both growth and value characteristics, while preserving the additive nature of the indices.

The process for assigning growth and value weights is applied separately to the stocks in the Russell 1000 Index. The stocks in the Russell 1000 Index are ranked by their adjusted book-to-price ratio (B/P), their I/B/E/S forecast medium-term growth (2 year) and sales per share historical growth (5 year). These rankings are converted to standardized units and combined to produce a Composite Value Score (CVS). Stocks are then ranked by their CVS, and a probability algorithm is applied to the CVS distribution to assign growth and value weights to each stock. In general, stocks with a lower CVS are considered growth, stocks with a higher CVS are considered value, and stocks with a CVS in the middle range are considered to have both growth and value characteristics, and are weighted proportionately in the growth and value index. Stocks are always fully represented by the combination of their growth and value weights, e.g., a stock that is given a 20% weight in a Russell value index will have an 80% weight in the same Russell growth index.

Stock A, in the figure below, is a security with 20% of its available shares assigned to the value index and the remaining 80% assigned to the growth index. The growth and value probabilities will always sum to 100%. Hence, the sum of a stock's market capitalization in the growth and value index will always equal its market capitalization in the Russell 1000 Index.



In the figure above, the quartile breaks are calculated such that approximately 25% of the available market capitalization lies in each quartile. Stocks at the median are divided 50% in each style index. Stocks below the first quartile are 100% in the growth index. Stocks above the third quartile are 100% in the value index. Stocks falling between the first and third quartile breaks are in both indexes to varying degrees depending on how far they are above or below the median and how close they are to the first or third quartile breaks.

Roughly 70% of the available market capitalization is classified as all growth or all value. The remaining 30% have some portion of their market value in either the value or growth index, depending on their relative distance from the median value score. Note that there is a small position cutoff rule. If a stock's weight is more than 95% in one style index, its weight is increased to 100% in the index. This rule eliminates many small weightings and makes passive management easier.

The Russell 1000 Growth Index, along with the Russell 1000 Index, is reconstituted annually to reflect changes in the marketplace. The list of companies is ranked based on May 31 total market capitalization, with the actual reconstitution effective on the first trading day following the final Friday of June each year. Changes in the constituents are preannounced and subject to change if any corporate activity occurs or if any new information is received prior to release.

Capitalization Adjustments. The Russell 1000 Growth Index is a float-adjusted and market-capitalization weighted index. The current Russell 1000 Growth Index value is calculated by adding the market values of the Russell 1000 Index's Component Stocks, which are derived by multiplying the price of each stock by the number of available shares, to arrive at the total market capitalization of the 1,000 stocks. The total market capitalization is then divided by a divisor, which represents the "adjusted" capitalization of the Russell 1000 Growth Index on the base date of December 31, 1978. To calculate the Russell 1000 Growth Index, last sale prices will be used for exchange-traded stocks. If a component stock is not open for trading, the most recently traded price for that security will be used in calculating the Russell 1000 Growth Index. In order to provide continuity for the Russell 1000 Growth Index's value, the divisor is adjusted periodically to reflect events including changes in the number of common shares outstanding for Russell 1000 Component Stocks, company additions or deletions, corporate restructurings and other capitalization changes.

Available shares are assumed to be shares available for trading. Exclusion of capitalization held by other listed companies and large holdings of private investors (10% or more) is based on information recorded in corporate filings with the Securities and Exchange Commission. Other sources are used in cases of missing or questionable data.

The following types of shares are considered unavailable and are removed from total market capitalization to arrive at free float or available market capitalization:

- ESOP or LESOP shares that comprise 10% or more of the shares outstanding are adjusted;
- Corporate cross-owned shares – shares held by another member of a Russell index (including Russell global indexes) are considered cross-owned shares, and all such shares will be adjusted regardless of percentage held;
- Large private and corporate shares – large private and corporate holdings are defined as those shares held by an individual, a group of individuals acting together or a corporation not in the index that own 10% or more of the shares outstanding. However, not to be included in this class are institutional holdings, which are: investment companies, partnerships, insurance companies, mutual funds, banks or venture capital firms unless these firms have a direct relationship to the company, such as board representation, in which case they are considered strategic holdings and are included with the officers/directors group;
- Unlisted share classes – classes of common stock that are not traded on a U.S. securities exchange;
- Initial public offering lock-ups – shares locked-up during an initial public offering are not available to the public and will be excluded from the market value at the time the initial public offering enters the index; and
- Government holdings:
  - Direct government holders – holdings listed as "government of" are considered unavailable and will be removed entirely from available shares;
  - Indirect government holders – shares held by government investment boards and/or investment arms will be treated similar to large private holdings and removed if the holding is greater than 10%; and
  - Government pensions – holdings by government pension plans are considered institutional holdings and will not be removed from available shares.

Corporate Actions Affecting the Russell 1000 Growth Index. The following summarizes the types of Russell 1000 Growth Index maintenance adjustments and indicates whether or not an index adjustment is required:

- "No Replacement" Rule – Securities that leave the Russell 1000 Growth Index, between reconstitution dates, for any reason (e.g., mergers, acquisitions or other similar corporate activity) are not replaced. Thus, the number of securities in the Russell 1000 Growth Index over the past year will fluctuate according to corporate activity.
- Rule for Deletions – When a stock is acquired, delisted, or moves to the pink sheets or bulletin boards on the floor of a U.S. securities exchange, the stock is deleted from the index at the close on the effective date or when the stock is no longer trading on the exchange.
- When acquisitions or mergers take place within the Russell 1000 Growth Index, the stock's capitalization moves to the acquiring stock, hence, mergers have no effect on the index total capitalization. Shares are updated for the acquiring stock at the time the transaction is final.
- Rule for Additions – The only additions between reconstitution dates are as a result of spin-offs and initial public offerings. Spin-off companies are added to the parent company's index and capitalization tier of membership, if the spin-off is large enough. To be eligible, the spun-off company's total market capitalization must be greater than the market-adjusted total market capitalization of the smallest security in the Russell 3000E Index at the latest reconstitution.

Updates to Share Capital Affecting the Russell 1000 Growth Index. Each month, the Russell 1000 Growth Index is updated for changes to shares outstanding as companies report changes in share capital to the Securities and Exchange Commission. Effective April 30, 2002, only cumulative changes to shares outstanding greater than 5% will be reflected in the Russell 1000 Growth Index. This does not affect treatment of major corporate events, which are effective on the ex-date.

License Agreement between Russell Investments and Morgan Stanley. Russell Investments and Morgan Stanley have entered into a non-exclusive license agreement providing for the license to Morgan Stanley, and certain of its affiliated or subsidiary companies, in exchange for a fee, of the right to use the Russell 1000 Growth Index, which is owned and published by Russell Investments, in connection with the securities.

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The securities are not sponsored, endorsed, sold or promoted by Russell Investments. Russell Investments makes no representation or warranty, express or implied, to the owners of the securities or any member of the public regarding the advisability of investing in securities generally or in the securities particularly or the ability of the Russell 1000 Growth Index to track general stock market performance or a segment of the same. Russell Investments' publication of the Russell 1000 Growth Index in no way suggests or implies an opinion by Russell Investments as to the advisability of investment in any or all of the securities upon which the Russell 1000 Growth Index is based. Russell Investments' only relationship to Morgan Stanley is the licensing of certain trademarks and trade names of Russell Investments and of the Russell 1000 Growth Index, which is determined, composed and calculated by Russell Investments without regard to Morgan Stanley or the securities. Russell Investments is not responsible for and has not reviewed the securities nor any associated literature or publications and Russell Investments makes no representation or warranty express or implied as to their accuracy or completeness, or otherwise. Russell Investments reserves the right, at any time and without notice, to alter, amend, terminate or in any way change the Russell 1000 Growth Index. Russell Investments has no obligation or liability in connection with the administration, marketing or trading of the securities.

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Russell 1000® Value Index

The Russell 1000® Value Index is a sub-group of the Russell 1000 Index, which is an index calculated, published and disseminated by Russell Investments, a subsidiary of Russell Investment Group, and measures the composite price performance of stocks of 1,000 companies (the "Russell 1000 Component Stocks") incorporated in the U.S. and its territories. All 1,000 stocks are traded on a major U.S. exchange and are the 1,000 largest securities that form the Russell 3000 Index. The Russell 3000 Index is composed of the 3,000 largest U.S. companies as determined by market capitalization and represents approximately 98% of the U.S. equity market. The Russell 1000 Index consists of the largest 1,000 companies included in the Russell 3000 Index and represents approximately 92% of the U.S. equity market. The Russell 1000 Index is designed to track the performance of the large- capitalization segment of the U.S. equity market.

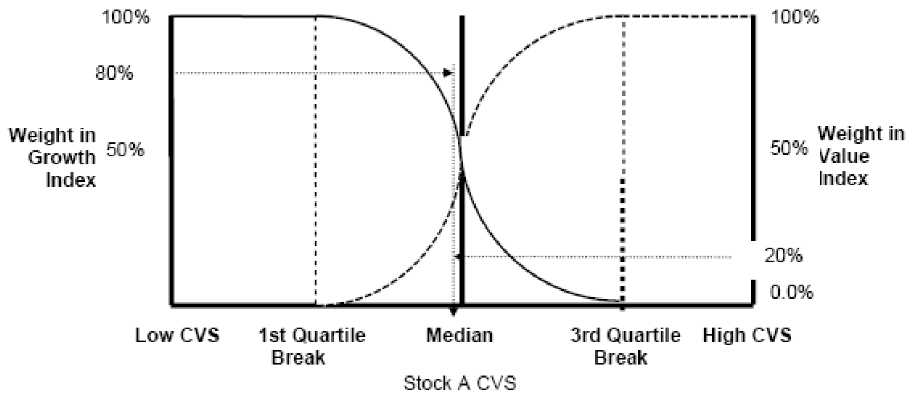
Selection of stocks underlying the Russell 1000 Value Index. The Russell 1000 Value Index is a sub-group of the Russell 1000 Index. To be eligible for inclusion in the Russell 1000 Index, and, consequently, the Russell 1000 Value Index, a company's stocks must be listed on the last trading day in May of a given year and Russell Investments must have access to documentation verifying the company's eligibility for inclusion. Beginning September 2004, eligible initial public offerings are added to Russell U.S. Indexes at the end of each calendar quarter, based on total market capitalization rankings within the market-adjusted capitalization breaks established during the most recent reconstitution. To be added to any Russell U.S. index during a quarter outside of reconstitution, initial public offerings must meet additional eligibility criteria.

Only companies that are determined to be part of the U.S. equity market are eligible for inclusion in the Russell 1000 Value Index. All securities eligible for inclusion must trade on a major U.S. exchange. Bulletin board, pink sheet or over-the-counter traded securities are not eligible for inclusion. Stocks must have a close price at or above $1.00 on their primary exchange or on another major U.S. exchange on the last trading day in May to be considered eligible for inclusion. The following companies are specifically excluded from the Russell 1000 Value Index: (i) companies with a total market capitalization less than $30 Million; (ii) companies with only a small portion of their shares available in the marketplace; (iii) royalty trusts, limited liability companies, closed-end investment companies (business development companies are eligible), blank check companies, special purpose acquisition companies and limited partnerships. In addition, preferred and convertible preferred stock, redeemable shares, participating preferred stock, warrants, rights and trust receipts are not eligible for inclusion.

Russell Investments uses a "non-linear probability" method to assign stocks to the growth and value style indexes. The term "probability" is used to indicate the degree of certainty that a stock is value or growth based on its relative book-to-price (B/P) ratio, I/B/E/S forecast medium-term growth (2 year) and sales per share historical growth (5 year). This method allows stocks to be represented as having both growth and value characteristics, while preserving the additive nature of the indexes.

The process for assigning growth and value weights is applied separately to the stocks in the Russell 1000 Index. The stocks in the Russell 1000 Index are ranked by their adjusted book-to-price ratio (B/P), their I/B/E/S forecast medium-term, growth (2 year) and sales per share historical growth (5 year). These rankings are converted to standardized units and combined to produce a Composite Value Score (CVS). Stocks are then ranked by their CVS, and a probability algorithm is applied to the CVS distribution to assign growth and value weights to each stock. In general, stocks with a lower CVS are considered growth, stocks with a higher CVS are considered value, and stocks with a CVS in the middle range are considered to have both growth and value characteristics, and are weighted proportionately in the growth and value index. Stocks are always fully represented by the combination of their growth and value weights, e.g., a stock that is given a 20% weight in a Russell value index will have an 80% weight in the same Russell growth index.

Stock A, in the figure below, is a security with 20% of its available shares assigned to the value index and the remaining 80% assigned to the growth index. The growth and value probabilities will always sum to 100%. Hence, the sum of a stock's market capitalization in the growth and value index will always equal its market capitalization in the Russell 1000 Index.



In the figure above, the quartile breaks are calculated such that approximately 25% of the available market capitalization lies in each quartile. Stocks at the median are divided 50% in each style index. Stocks below the first quartile are 100% in the growth index. Stocks above the third quartile are 100% in the value index. Stocks falling between the first and third quartile breaks are in both indexes to varying degrees depending on how far they are above or below the median and how close they are to the first or third quartile breaks.

Roughly 70% of the available market capitalization is classified as all growth or all value. The remaining 30% have some portion of their market value in either the value or growth index, depending on their relative distance from the median value score. Note that there is a small position cutoff rule. If a stock's weight is more than 95% in one style index, its weight is increased to 100% in the index. This rule eliminates many small weightings and makes passive management easier.

The Russell 1000 Value Index, along with the Russell 1000 Index, is reconstituted annually to reflect changes in the marketplace. The list of companies is ranked based on May 31 total market capitalization, with the actual reconstitution effective on the first trading day following the final Friday of June each year. Changes in the constituents are preannounced and subject to change if any corporate activity occurs or if any new information is received prior to release.

Capitalization Adjustments. The Russell 1000 Value Index is a float-adjusted and market-capitalization weighted index. The current Russell 1000 Value Index value is calculated by adding the market values of the Russell 1000 Index's Component Stocks, which are derived by multiplying the price of each stock by the number of available shares, to arrive at the total market capitalization of the 1,000 stocks. The total market capitalization is then divided by a divisor, which represents the "adjusted" capitalization of the Russell 1000 Value Index on the base date of December 31, 1978. To calculate the Russell 1000 Value Index, last sale prices will be used for exchange-traded stocks. If a component stock is not open for trading, the most recently traded price for that security will be used in calculating the Russell 1000 Value Index. In order to provide continuity for the Russell 1000 Value Index's value, the divisor is adjusted periodically to reflect events including changes in the number of common shares outstanding for Russell 1000 Component Stocks, company additions or deletions, corporate restructurings and other capitalization changes.

Available shares are assumed to be shares available for trading. Exclusion of capitalization held by other listed companies and large holdings of private investors (10% or more) is based on information recorded in corporate filings with the Securities and Exchange Commission. Other sources are used in cases of missing or questionable data.

The following types of shares are considered unavailable and are removed from total market capitalization to arrive at free float or available market capitalization:

- ESOP or LESOP shares that comprise 10% or more of the shares outstanding are adjusted;
- Corporate cross-owned shares – shares held by another member of a Russell index (including Russell global indexes) are considered cross-owned shares, and all such shares will be adjusted regardless of percentage held;
- Large private and corporate shares – large private and corporate holdings are defined as those shares held by an individual, a group of individuals acting together or a corporation not in the index that own 10% or more of the shares outstanding. However, not to be included in this class are institutional holdings, which are: investment companies, partnerships, insurance companies, mutual funds, banks or venture capital firms unless these firms have a direct relationship to the company, such as board representation, in which case they are considered strategic holdings and are included with the officers/directors group;

- Unlisted share classes – classes of common stock that are not traded on a U.S. securities exchange;
- Initial public offering lock-ups – shares locked-up during an initial public offering are not available to the public and will be excluded from the market value at the time the initial public offering enters the index; and
- Government holdings:
  - Direct government holders – holdings listed as "government of" are considered unavailable and will be removed entirely from available shares;
  - Indirect government holders – shares held by government investment boards and/or investment arms will be treated similar to large private holdings and removed if the holding is greater than 10%; and
  - Government pensions – holdings by government pension plans are considered institutional holdings and will not be removed from available shares.

Corporate Actions Affecting the Russell 1000 Value Index. The following summarizes the types of Russell 1000 Value Index maintenance adjustments and indicates whether or not an index adjustment is required:

- "No Replacement" Rule – Securities that leave the Russell 1000 Value Index, between reconstitution dates, for any reason (e.g., mergers, acquisitions or other similar corporate activity) are not replaced. Thus, the number of securities in the Russell 1000 Value Index over the past year will fluctuate according to corporate activity.
- Rule for Deletions – When a stock is acquired, delisted, or moves to the pink sheets or bulletin boards on the floor of a U.S. securities exchange, the stock is deleted from the index at the close on the effective date or when the stock is no longer trading on the exchange.
- When acquisitions or mergers take place within the Russell 1000 Value Index, the stock's capitalization moves to the acquiring stock, hence, mergers have no effect on the index total capitalization. Shares are updated for the acquiring stock at the time the transaction is final.
- Rule for Additions – The only additions between reconstitution dates are as a result of spin-offs and initial public offerings. Spin-off companies are added to the parent company's index and capitalization tier of membership, if the spin-off is large enough. To be eligible, the spun-off company's total market capitalization must be greater than the market-adjusted total market capitalization of the smallest security in the Russell 3000E Index at the latest reconstitution.

Updates to Share Capital Affecting the Russell 1000 Value Index. Each month, the Russell 1000 Value Index is updated for changes to shares outstanding as companies report changes in share capital to the Securities and Exchange Commission. Effective April 30, 2002, only cumulative changes to shares outstanding greater than 5% will be reflected in the Russell 1000 Value Index. This does not affect treatment of major corporate events, which are effective on the ex-date.

License Agreement between Russell Investments and Morgan Stanley. Russell Investments and Morgan Stanley have entered into a non-exclusive license agreement providing for the license to Morgan Stanley, and certain of its affiliated or subsidiary companies, in exchange for a fee, of the right to use the Russell 1000 Value Index, which is owned and published by Russell Investments, in connection with the securities.

The license agreement between Russell Investments and Morgan Stanley provides that the following language must be set forth in this index supplement:

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RUSSELL INVESTMENTS DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE RUSSELL 1000 VALUE INDEX OR ANY DATA INCLUDED THEREIN AND RUSSELL INVESTMENTS SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. RUSSELL INVESTMENTS MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY MORGAN STANLEY, INVESTORS, OWNERS OF THE SECURITIES, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE RUSSELL 1000 VALUE INDEX OR ANY DATA INCLUDED THEREIN. RUSSELL INVESTMENTS MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE RUSSELL 1000 VALUE INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL RUSSELL INVESTMENTS HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

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Russell 2000® Index

The Russell 2000® Index is an index calculated, published and disseminated by Russell Investments, and measures the composite price performance of stocks of 2,000 companies (the "Russell 2000 Component Stocks") incorporated in the U.S. and its territories. All 2,000 stocks are traded on a major U.S. exchange and are the 2,000 smallest securities that form the Russell 3000® Index. The Russell 3000 Index is composed of the 3,000 largest U.S. companies as determined by market capitalization and represents approximately 98% of the U.S. equity market. The Russell 2000 Index consists of the smallest 2,000 companies included in the Russell 3000 Index and represents a small portion of the total market capitalization of the Russell 3000 Index. The Russell 2000 Index is designed to track the performance of the small capitalization segment of the U.S. equity market. The Russell 2000® Index is reported by Bloomberg Financial Markets under ticker symbol "RTY."

Selection of stocks underlying the Russell 2000 Index. The Russell 2000 Index is a sub-group of the Russell 3000 Index. To be eligible for inclusion in the Russell 3000 Index, and, consequently, the Russell 2000 Index, a company's stocks must be listed on the last trading day in May of a given year and Russell Investments must have access to documentation verifying the company's eligibility for inclusion. Beginning September 2004, eligible initial public offerings are added to Russell U.S. Indices at the end of each calendar quarter, based on total market capitalization rankings within the market-adjusted capitalization breaks established during the most recent reconstitution. To be added to any Russell U.S. index during a quarter outside of reconstitution, initial public offerings must meet additional eligibility criteria.

Only companies that are determined to be part of the U.S. equity market are eligible for inclusion in the Russell 2000 Index. All securities eligible for inclusion must trade on a major U.S. exchange. Bulletin board, pink sheet or over-the counter traded securities are not eligible for inclusion. Stocks must have a close price at or above $1.00 on their primary exchange or on another major U.S. exchange on the last trading day in May to be considered eligible for inclusion. The following companies are specifically excluded from the Russell 2000 Index: (i) companies with a total market capitalization less than $30 Million; (ii) companies with only a small portion of their shares available in the marketplace; (iii) royalty trusts, limited liability companies, closed-end investment companies (business development companies are eligible), blank check companies, special purpose acquisition companies and limited partnerships. In addition, preferred and convertible preferred stock, redeemable shares, participating preferred stock, warrants, rights and trust receipts are not eligible for inclusion.

The primary criteria used to determine the initial list of securities eligible for the Russell 3000 Index is total market capitalization, which is defined as the price of the shares times the total number of available shares. All common stock share classes are combined in determining market capitalization. If multiple share classes have been combined, the price of the primary vehicle (usually the most liquid) is used in the calculations. In cases where the common stock share classes act independently of each other (e.g., tracking stocks), each class is considered for inclusion separately. Stocks must trade at or above $1.00 on the last trading day in May of each year to be eligible for inclusion in the Russell 2000 Index. However, if a stock falls below $1.00 intra-year, it will not be removed until the next reconstitution if it is still trading below $1.00.

The Russell 2000 Index is reconstituted annually to reflect changes in the marketplace. The list of companies is ranked based on May 31 total market capitalization, with the actual reconstitution effective on the first trading day following the final Friday of June each year. Changes in the constituents are preannounced and subject to change if any corporate activity occurs or if any new information is received prior to release.

Capitalization Adjustments. The Russell 2000 Index is a float-adjusted and market-capitalization weighted index. The current Russell 2000 Index value is calculated by adding the market values of the Russell 2000 Index's Russell 2000 Component Stocks, which are derived by multiplying the price of each stock by the number of available shares, to arrive at the total market capitalization of the 2,000 stocks. The total market capitalization is then divided by a divisor, which represents the "adjusted" capitalization of the Russell 2000 Index on the base date of December 31, 1978. To calculate the Russell 2000 Index, last sale prices will be used for exchange-traded stocks. If a component stock is not open for trading, the most recently traded price for that security will be used in calculating the Russell 2000 Index. In order to provide continuity for the Russell 2000 Index's value, the divisor is adjusted periodically to reflect events including changes in the number of common shares outstanding for Russell 2000 Component Stocks, company additions or deletions, corporate restructurings and other capitalization changes.

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- ESOP or LESOP shares that comprise 10% or more of the shares outstanding are adjusted;
- Corporate cross-owned shares – shares held by another member of a Russell index (including Russell global indexes) are considered cross-owned shares, and all such shares will be adjusted regardless of percentage held;
- Large private and corporate shares – large private and corporate holdings are defined as those shares held by an individual, a group of individuals acting together or a corporation not in the index that own 10% or more of the shares outstanding. However, not to be included in this class are institutional holdings, which are: investment companies, partnerships, insurance companies, mutual funds, banks or venture capital firms unless these firms have a direct relationship to the company, such as board representation, in which case they are considered strategic holdings and are included with the officers/directors group;
- Unlisted share classes – classes of common stock that are not traded on a U.S. securities exchange;
- Initial public offering lock-ups – shares locked-up during an initial public offering are not available to the public and will be excluded from the market value at the time the initial public offering enters the index; and
- Government holdings:
    - Direct government holders – holdings listed as "government of" are considered unavailable and will be removed entirely from available shares;
    - Indirect government holders – shares held by government investment boards and/or investment arms will be treated similar to large private holdings and removed if the holding is greater than 10%; and
    - Government pensions – holdings by government pension plans are considered institutional holdings and will not be removed from available shares.

Corporate Actions Affecting the Russell 2000 Index. The following summarizes the types of Russell 2000 Index maintenance adjustments and indicates whether or not an index adjustment is required:

- "No Replacement" Rule – Securities that leave the Russell 2000 Index, between reconstitution dates, for any reason (e.g., mergers, acquisitions or other similar corporate activity) are not replaced. Thus, the number of securities in the Russell 2000 Index over the past year will fluctuate according to corporate activity.
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Russell 2000® Growth Index

The Russell 2000® Growth Index is a sub-group of the Russell 2000 Index, which is an index calculated, published and disseminated by Russell Investments, and measures the composite price performance of stocks of 2,000 companies (the "Russell 2000 Component Stocks") incorporated in the U.S. and its territories. All 2,000 stocks are traded on a major U.S. exchange and are the 2,000 smallest securities that form the Russell 3000 Index. The Russell 3000 Index is composed of the 3,000 largest U.S. companies as determined by market capitalization and represents approximately 98% of the U.S. equity market. The Russell 2000 Index consists of the smallest 2,000 companies included in the Russell 3000 Index and represents a small portion of the total market capitalization of the Russell 3000 Index. The Russell 2000 Index is designed to track the performance of the small capitalization segment of the U.S. equity market.

Selection of stocks underlying the Russell 2000 Growth Index. The Russell 2000 Growth Index is a sub-group of the Russell 2000 Index. To be eligible for inclusion in the Russell 2000 Index, and, consequently, the Russell 2000 Growth

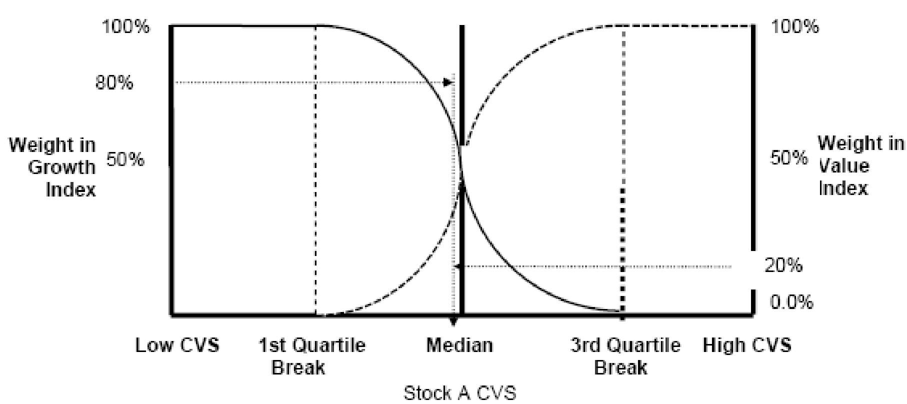
Index, a company's stocks must be listed on the last trading day in May of a given year and Russell Investments must have access to documentation verifying the company's eligibility for inclusion. Beginning September 2004, eligible initial public offerings are added to Russell U.S. Indices at the end of each calendar quarter, based on total market capitalization rankings within the market-adjusted capitalization breaks established during the most recent reconstitution. To be added to any Russell U.S. index during a quarter outside of reconstitution, initial public offerings must meet additional eligibility criteria.

Only companies that are determined to be part of the U.S. equity market are eligible for inclusion in the Russell 2000 Growth Index. All securities eligible for inclusion must trade on a major U.S. exchange. Bulletin board, pink sheet or over-the-counter traded securities are not eligible for inclusion. Stocks must have a close price at or above $1.00 on their primary exchange or on another major U.S. exchange on the last trading day in May to be considered eligible for inclusion. The following companies are specifically excluded from the Russell 2000 Growth Index: (i) companies with a total market capitalization less than $30 Million; (ii) companies with only a small portion of their shares available in the marketplace; (iii) royalty trusts, limited liability companies, closed-end investment companies (business development companies are eligible), blank check companies, special purpose acquisition companies and limited partnerships. In addition, preferred and convertible preferred stock, redeemable shares, participating preferred stock, warrants, rights and trust receipts are not eligible for inclusion.

Russell Investments uses a "non-linear probability" method to assign stocks to the growth and value style indices. The term "probability" is used to indicate the degree of certainty that a stock is value or growth based on its relative book-to-price (B/P) ratio, I/B/E/S forecast medium-term growth (2 year) and sales per share historical growth (5 year). This method allows stocks to be represented as having both growth and value characteristics, while preserving the additive nature of the indices.

The process for assigning growth and value weights is applied separately to the stocks in the Russell 2000 Index. The stocks in the Russell 2000 Index are ranked by their adjusted book-to-price ratio (B/P), their I/B/E/S forecast medium-term growth (2 year) and sales per share historical growth (5 year). These rankings are converted to standardized units and combined to produce a Composite Value Score (CVS). Stocks are then ranked by their CVS, and a probability algorithm is applied to the CVS distribution to assign growth and value weights to each stock. In general, stocks with a lower CVS are considered growth, stocks with a higher CVS are considered value, and stocks with a CVS in the middle range are considered to have both growth and value characteristics, and are weighted proportionately in the growth and value index. Stocks are always fully represented by the combination of their growth and value weights, e.g., a stock that is given a 20% weight in a Russell value index will have an 80% weight in the same Russell growth index.

Stock A, in the figure below, is a security with 20% of its available shares assigned to the value index and the remaining 80% assigned to the growth index. The growth and value probabilities will always sum to 100%. Hence, the sum of a stock's market capitalization in the growth and value index will always equal its market capitalization in the Russell 2000 Index.



In the figure above, the quartile breaks are calculated such that approximately 25% of the available market capitalization lies in each quartile. Stocks at the median are divided 50% in each style index. Stocks below the first quartile are 100% in the growth index. Stocks above the third quartile are 100% in the value index. Stocks falling between the first and third quartile breaks are in both indices to varying degrees depending on how far they are above or below the median and how close they are to the first or third quartile breaks.

Roughly 70% of the available market capitalization is classified as all growth or all value. The remaining 30% have some portion of their market value in either the value or growth index, depending on their relative distance from the median value score. Note that there is a small position cutoff rule. If a stock's weight is more than 95% in one style index, its weight is increased to 100% in the index. This rule eliminates many small weightings and makes passive management easier.

The Russell 2000 Growth Index, along with the Russell 2000 Index, is reconstituted annually to reflect changes in the marketplace. The list of companies is ranked based on May 31 total market capitalization, with the actual reconstitution effective on the first trading day following the final Friday of June each year. Changes in the constituents are preannounced and subject to change if any corporate activity occurs or if any new information is received prior to release.

Capitalization Adjustments. The Russell 2000 Growth Index is a float-adjusted and market-capitalization weighted index. The current Russell 2000 Growth Index value is calculated by adding the market values, according to the methodology discussed above, of the Russell 2000 Index's Component Stocks, which are derived by multiplying the price of each stock by the number of available shares, to arrive at the total market capitalization of the 2,000 stocks. The total market capitalization is then divided by a divisor, which represents the "adjusted" capitalization of the Russell 2000 Growth Index on the base date of May 31, 1993. To calculate the Russell 2000 Growth Index, last sale prices will be used for exchange-traded stocks. If a component stock is not open for trading, the most recently traded price for that security will be used in calculating the Russell 2000 Growth Index. In order to provide continuity for the Russell 2000 Growth Index's value, the divisor is adjusted periodically to reflect events including changes in the number of common shares outstanding for Russell 2000 Component Stocks, company additions or deletions, corporate restructurings and other capitalization changes.

Available shares are assumed to be shares available for trading. Exclusion of capitalization held by other listed companies and large holdings of private investors (10% or more) is based on information recorded in corporate filings with the Securities and Exchange Commission. Other sources are used in cases of missing or questionable data.

The following types of shares are considered unavailable and are removed from total market capitalization to arrive at free float or available market capitalization:

- ESOP or LESOP shares that comprise 10% or more of the shares outstanding are adjusted;
- Corporate cross-owned shares – shares held by another member of a Russell index (including Russell global indexes) are considered cross-owned shares, and all such shares will be adjusted regardless of percentage held;
- Large private and corporate shares – large private and corporate holdings are defined as those shares held by an individual, a group of individuals acting together or a corporation not in the index that own 10% or more of the shares outstanding. However, not to be included in this class are institutional holdings, which are: investment companies, partnerships, insurance companies, mutual funds, banks or venture capital firms unless these firms have a direct relationship to the company, such as board representation, in which case they are considered strategic holdings and are included with the officers/directors group;
- Unlisted share classes – classes of common stock that are not traded on a U.S. securities exchange;
- Initial public offering lock-ups – shares locked-up during an initial public offering are not available to the public and will be excluded from the market value at the time the initial public offering enters the index; and
- Government holdings:
    - Direct government holders – holdings listed as "government of" are considered unavailable and will be removed entirely from available shares;
    - Indirect government holders – shares held by government investment boards and/or investment arms will be treated similar to large private holdings and removed if the holding is greater than 10%; and
    - Government pensions – holdings by government pension plans are considered institutional holdings and will not be removed from available shares.

Corporate Actions Affecting the Russell 2000 Growth Index. The following summarizes the types of Russell 2000 Growth Index maintenance adjustments and indicates whether or not an index adjustment is required:

- "No Replacement" Rule – Securities that leave the Russell 2000 Growth Index, between reconstitution dates, for any reason (e.g., mergers, acquisitions or other similar corporate activity) are not replaced. Thus, the number of securities in the Russell 2000 Growth Index over the past year will fluctuate according to corporate activity.

- Rule for Deletions – When a stock is acquired, delisted, or moves to the pink sheets or bulletin boards on the floor of a U.S. securities exchange, the stock is deleted from the index at the close on the effective date or when the stock is no longer trading on the exchange.

- When acquisitions or mergers take place within the Russell 2000 Growth Index, the stock's capitalization moves to the acquiring stock, hence, mergers have no effect on the index total capitalization. Shares are updated for the acquiring stock at the time the transaction is final.

- Rule for Additions – The only additions between reconstitution dates are as a result of spin-offs and initial public offerings. Spin-off companies are added to the parent company's index and capitalization tier of membership, if the spin-off is large enough. To be eligible, the spun-off company's total market capitalization must be greater than the market-adjusted total market capitalization of the smallest security in the Russell 3000E Index at the latest reconstitution.

Updates to Share Capital Affecting the Russell 2000 Growth Index. Each month, the Russell 2000 Growth Index is updated for changes to shares outstanding as companies report changes in share capital to the Securities and Exchange Commission. Effective April 30, 2002, only cumulative changes to shares outstanding greater than 5% will be reflected in the Russell 2000 Growth Index. This does not affect treatment of major corporate events, which are effective on the ex-date.

License Agreement between Russell Investments and Morgan Stanley. Russell Investments and Morgan Stanley have entered into a non-exclusive license agreement providing for the license to Morgan Stanley, and certain of its affiliated or subsidiary companies, in exchange for a fee, of the right to use the Russell 2000 Growth Index, which is owned and published by Russell Investments, in connection with the securities.

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Russell 2000® Value Index

The Russell 2000® Value Index is a sub-group of the Russell 2000 Index, which is an index calculated, published and disseminated by Russell Investments, a subsidiary of Russell Investment Group, and measures the composite price performance of stocks of 2,000 companies (the "Russell 2000 Component Stocks") incorporated in the U.S. and its territories. All 2,000 stocks are traded on a major U.S. exchange are the 2,000 smallest securities that form the Russell 3000® Index. The Russell 3000 Index is composed of the 3,000 largest U.S. companies as determined by market capitalization and represents approximately 98% of the U.S. equity market. The Russell 2000 Index consists of the smallest 2,000 companies included in the Russell 3000 Index and represents a small portion of the total market capitalization of the Russell 3000 Index. The Russell 2000 Index is designed to track the performance of the small- capitalization segment of the U.S. equity market.

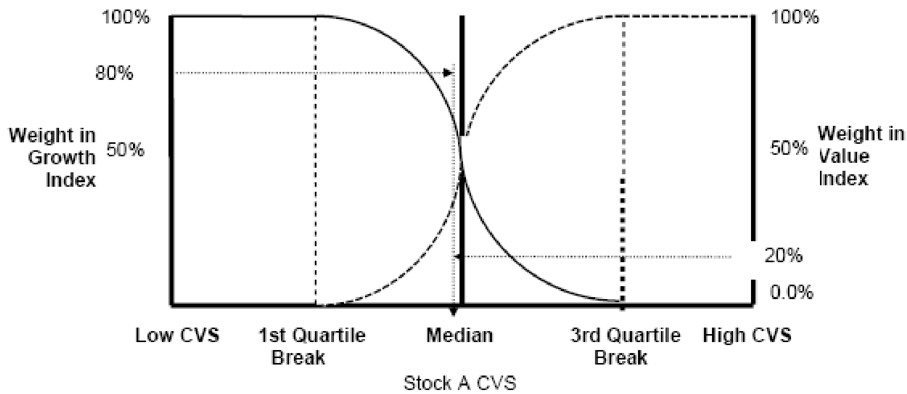
Selection of stocks underlying the Russell 2000 Value Index. The Russell 2000 Value Index is a sub-group of the Russell 2000 Index. To be eligible for inclusion in the Russell 2000 Index, and, consequently, the Russell 2000 Value Index, a company's stocks must be listed on May 31 of a given year and Russell Investments must have access to documentation verifying the company's eligibility for inclusion. Beginning September 2004, eligible initial public offerings are added to Russell U.S. Indexes at the end of each calendar quarter, based on total market capitalization rankings within the market-adjusted capitalization breaks established during the most recent reconstitution. To be added to any Russell U.S. index during a quarter outside of reconstitution, initial public offerings must meet additional eligibility criteria.

Only companies that are determined to be part of the U.S. equity market are eligible for inclusion in the Russell 2000 Value Index. All securities eligible for inclusion must trade on a major U.S. exchange. Bulletin board, pink sheet or over-the-counter traded securities are not eligible for inclusion. Stocks must have a close price at or above $1.00 on their primary exchange or on another major U.S. exchange on the last trading day in May to be considered eligible for inclusion. The following companies are specifically excluded from the Russell 2000 Value Index: (i) companies with a total market capitalization less than $30 Million; (ii) companies with only a small portion of their shares available in the marketplace (iii) royalty trusts, limited liability companies, closed-end investment companies and limited partnerships preferred and convertible preferred stock. In addition, redeemable shares, participating preferred stock, warrants, rights and trust receipts are not eligible for inclusion.

Russell Investments uses a "non-linear probability" method to assign stocks to the growth and value style indices. The term "probability" is used to indicate the degree of certainty that a stock is value or growth based on its relative book-to-price (B/P) ratio, I/B/E/S forecast medium-term growth (2 year) and sales per share historical growth (5 year). This method allows stocks to be represented as having both growth and value characteristics, while preserving the additive nature of the indices.

The process for assigning growth and value weights is applied separately to the stocks in the Russell 2000 Index. The stocks in the Russell 2000 Index are ranked by their adjusted book-to-price ratio (B/P), their I/B/E/S forecast medium-term growth (2 year) and sales per share historical growth (5 year). These rankings are converted to standardized units and combined to produce a Composite Value Score (CVS). Stocks are then ranked by their CVS, and a probability algorithm is applied to the CVS distribution to assign growth and value weights to each stock. In general, stocks with a lower CVS are considered growth, stocks with a higher CVS are considered value, and stocks with a CVS in the middle range are considered to have both growth and value characteristics, and are weighted proportionately in the growth and value index. Stocks are always fully represented by the combination of their growth and value weights, e.g., a stock that is given a 20% weight in a Russell value index will have an 80% weight in the same Russell growth index.

Stock A, in the figure below, is a security with 20% of its available shares assigned to the value index and the remaining 80% assigned to the growth index. The growth and value probabilities will always sum to 100%. Hence, the sum of a stock's market capitalization in the growth and value index will always equal its market capitalization in the Russell 2000 Index.



In the figure above, the quartile breaks are calculated such that approximately 25% of the available market capitalization lies in each quartile. Stocks at the median are divided 50% in each style index. Stocks below the first quartile are 100% in the growth index. Stocks above the third quartile are 100% in the value index. Stocks falling between the first and third quartile breaks are in both indexes to varying degrees depending on how far they are above or below the median and how close they are to the first or third quartile breaks.

Roughly 70% of the available market capitalization is classified as all growth or all value. The remaining 30% have some portion of their market value in either the value or growth index, depending on their relative distance from the median value score. Note that there is a small position cutoff rule. If a stock's weight is more than 95% in one style index, its weight is increased to 100% in the index. This rule eliminates many small weightings and makes passive management easier.

The Russell 2000 Value Index, along with the Russell 2000 Index, is reconstituted annually to reflect changes in the marketplace. The CVS for each company in the Russell 2000 Index is determined annually based on data as of May 31. The list of companies is ranked based on May 31 total market capitalization, with the actual reconstitution effective on the first trading day following the final Friday of June each year. Changes in the constituents are preannounced and subject to change if any corporate activity occurs or if any new information is received prior to release.

Capitalization Adjustments. As a capitalization-weighted index, the Russell 2000 Value Index reflects changes in the capitalization, or market value, of the Russell 2000 Component Stocks relative to the capitalization on a base date. The current Russell 2000 Value Index value is calculated by adding the market values, according to the methodology discussed above, of the Russell 2000 Index's Component Stocks, which are derived by multiplying the price of each stock by the number of available shares, to arrive at the total market capitalization of the 2,000 stocks. The total market capitalization is then divided by a divisor, which represents the "adjusted" capitalization of the Russell 2000 Value Index on the base date of December 31, 1986. To calculate the Russell 2000 Value Index, last sale prices will be used for exchange-traded stocks. If a component stock is not open for trading, the most recently traded price for that security will be used in calculating the Russell 2000 Value Index. In order to provide continuity for the Russell 2000 Value Index's value, the divisor is adjusted periodically to reflect events including changes in the number of common shares outstanding for Russell 2000 Component Stocks, company additions or deletions, corporate restructurings and other capitalization changes.

Available shares are assumed to be shares available for trading. Exclusion of capitalization held by other listed companies and large holdings of private investors (10% or more) is based on information recorded in corporate filings with the Securities and Exchange Commission. Other sources are used in cases of missing or questionable data.

The following types of shares are considered unavailable and are removed from total market capitalization to arrive at free float or available market capitalization:

- ESOP or LESOP shares that comprise 10% or more of the shares outstanding are adjusted;
- Corporate cross-owned shares – shares held by another member of a Russell index (including Russell global indexes) are considered cross-owned shares, and all such shares will be adjusted regardless of percentage held;
- Large private and corporate shares – large private and corporate holdings are defined as those shares held by an individual, a group of individuals acting together or a corporation not in the index that own 10% or more of the shares outstanding. However, not to be included in this class are institutional holdings, which are: investment companies, partnerships, insurance companies, mutual funds, banks or venture capital firms unless these firms

have a direct relationship to the company, such as board representation, in which case they are considered strategic holdings and are included with the officers/directors group;

- Unlisted share classes – classes of common stock that are not traded on a U.S. securities exchange;
- Initial public offering lock-ups – shares locked-up during an initial public offering are not available to the public and will be excluded from the market value at the time the initial public offering enters the index; and
- Government holdings:
    - Direct government holders – holdings listed as "government of" are considered unavailable and will be removed entirely from available shares;
    - Indirect government holders – shares held by government investment boards and/or investment arms will be treated similar to large private holdings and removed if the holding is greater than 10%; and
    - Government pensions – holdings by government pension plans are considered institutional holdings and will not be removed from available shares.

Corporate Actions Affecting the Russell 2000 Value Index. The following summarizes the types of Russell 2000 Value Index maintenance adjustments and indicates whether or not an index adjustment is required:

- "No Replacement" Rule – Securities that leave the Russell 2000 Value Index, between reconstitution dates, for any reason (e.g., mergers, acquisitions or other similar corporate activity) are not replaced. Thus, the number of securities in the Russell 2000 Value Index over the past year will fluctuate according to corporate activity.
- Rule for Deletions – When a stock is acquired, delisted, or moves to the pink sheets or bulletin boards on the floor of a U.S. securities exchange, the stock is deleted from the index at the close on the effective date or when the stock is no longer trading on the exchange.
- When acquisitions or mergers take place within the Russell 2000 Value Index, the stock's capitalization moves to the acquiring stock, hence, mergers have no effect on the index total capitalization. Shares are updated for the acquiring stock at the time the transaction is final.
- Rule for Additions – The only additions between reconstitution dates are as a result of spin-offs and initial public offerings. Spin-off companies are added to the parent company's index and capitalization tier of membership, if the spin-off is large enough. To be eligible, the spun-off company's total market capitalization must be greater than the market-adjusted total market capitalization of the smallest security in the Russell 3000E Index at the latest reconstitution.

Updates to Share Capital Affecting the Russell 2000 Value Index. Each month, the Russell 2000 Value Index is updated for changes to shares outstanding as companies report changes in share capital to the Securities and Exchange Commission. Effective April 30, 2002, only cumulative changes to shares outstanding greater than 5% will be reflected in the Russell 2000 Value Index. This does not affect treatment of major corporate events, which are effective on the ex-date.

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S&P 500® Index

The S&P 500® Index is calculated, maintained and published by Standard & Poor's Financial Services LLC ("S&P").

On November 4, 2011, McGraw-Hill, the owner of the S&P Indices business, and CME Group, the 90% owner of the CME Group and Dow Jones & Company, Inc. joint venture that owns the Dow Jones Indexes business, announced a new joint venture, S&P/Dow Jones Indices, which will own the S&P Indices business and the Dow Jones Indexes business, including the S&P 500 Index. McGraw-Hill and CME Group expect S&P/Dow Jones Indices to be operational in the first half of 2012, subject to regulatory approval and other conditions.

The S&P 500 Index is intended to provide a performance benchmark for the U.S. equity markets. The calculation of the value of the S&P 500 Index (discussed below in further detail) is based on the relative value of the aggregate Market Value (as defined below) of the common stocks of 500 companies (the "S&P 500 Component Stocks") as of a particular time as compared to the aggregate average Market Value of the common stocks of 500 similar companies during the base period of the years 1941 through 1943. The "Market Value" of any S&P 500 Component Stock is the product of the market price per share and the number of the then outstanding shares of such S&P 500 Component Stock. The 500 companies are not the 500 largest companies listed on the New York Stock Exchange and not all 500 companies are listed on such exchange. S&P chooses companies for inclusion in the S&P 500 Index with an aim of achieving a distribution by broad industry groupings that approximates the distribution of these groupings in the common stock population of the U.S. equity market. S&P may from time to time, in its sole discretion, add companies to, or delete companies from, the S&P 500 Index to achieve the objectives stated above. Relevant criteria employed by S&P include the viability of the particular company, the extent to which that company represents the industry group to which it is assigned, the extent to which the company's common stock is widely-held and the Market Value and trading activity of the common stock of that company.

The S&P 500 Index and S&P's other U.S. indices moved to a float adjustment methodology in 2005 so that the indices reflect only those shares that are generally available to investors in the market rather than all of a company's outstanding shares. S&P defines three groups of shareholders whose holdings are presumed to be for control and are subject to float adjustment. Within each group, the holdings are totaled. In cases where holdings in a group exceed 10% of the outstanding shares of a company, the holdings of that group will be excluded from the float-adjusted count of shares to be used in index calculations. The three groups are:

- Holdings by other publicly traded corporations, venture capital firms, private equity firms, strategic partners or leveraged buy-out groups;

- Holdings by government entities, including all levels of government in the United States or foreign countries; and

- Holdings by current or former officers and directors of the company, founders of the company, or family trusts of officers, directors or founders and holdings of trusts, foundations, pension funds, employee stock ownership plans or other investment vehicles associated with and controlled by the company.

The S&P 500 Index is calculated using a base-weighted aggregate methodology: the level of the S&P 500 Index reflects the total Market Value of all 500 S&P 500 Component Stocks relative to the S&P 500 Index's base period of 1941-43 (the "Base Period").

An indexed number is used to represent the results of this calculation in order to make the value easier to work with and track over time.

The actual total Market Value of the S&P 500 Component Stocks during the Base Period has been set equal to an indexed value of 10. This is often indicated by the notation 1941-43=10. In practice, the daily calculation of the S&P 500 Index is computed by dividing the total Market Value of the S&P 500 Component Stocks by a number called the "S&P 500 Index Divisor." By itself, the S&P 500 Index Divisor is an arbitrary number. However, in the context of the calculation of the S&P 500 Index, it is the only link to the original base period value of the S&P 500 Index. The S&P 500 Index Divisor keeps the S&P 500 Index comparable over time and is the manipulation point for all adjustments to the S&P 500 Index ("S&P 500 Index Maintenance").

S&P 500 Index Maintenance includes monitoring and completing the adjustments for company additions and deletions, share changes, stock splits, stock dividends, and stock price adjustments due to company restructurings or spinoffs.

To prevent the value of the S&P 500 Index from changing due to corporate actions, all corporate actions which affect the total Market Value of the S&P 500 Index require a S&P 500 Index Divisor adjustment. By adjusting the S&P 500 Index Divisor for the change in total Market Value, the value of the S&P 500 Index remains constant. This helps maintain the value of the S&P 500 Index as an accurate barometer of stock market performance and ensures that the movement of the S&P 500 Index does not reflect the corporate actions of individual companies in the S&P 500 Index. All S&P 500 Index Divisor adjustments are made after the close of trading and after the calculation of the closing value of the S&P 500 Index. Some corporate actions, such as stock splits and stock dividends, require simple changes in the common shares outstanding and the stock prices of the companies in the S&P 500 Index and do not require S&P 500 Index Divisor adjustments.

The table below summarizes the types of S&P 500 Index maintenance adjustments and indicates whether or not a S&P 500 Index Divisor adjustment is required:

Type of Corporate Action	Comment	Divisor Adjustment Required
Company Added/Deleted	Net change in market value determines the divisor adjustment	Yes
Change in Shares Outstanding	Any combination of secondary issuance, share repurchase or buy back – share counts revised to reflect change.	Yes
Stock Split	Share count revised to reflect new count. Divisor adjustment is not required since the share count and price changes are offsetting.	No
Spin-off	If the spun-off company is not being added to the index, the divisor adjustment reflects the decline in index market value (i.e., the value of the spun-off unit).	Yes
Spin-off	Spun-off company added to the index, no company removed from the index.	No
Spin-off	Spun-off company added to the index, another company removed to keep number of names fixed. Divisor adjustment reflects deletion.	Yes
Change in Investable Weight Factor ("IWF")	Increasing (decreasing) the IWF increases (decreases) the total market value of the index. The divisor change reflects the change in market value caused by the change to an IWF.	Yes
Special Dividends	When a company pays a special dividend the share price is assumed to drop by the amount of the dividend; the divisor adjustment reflects this drop in index market value.	Yes

Rights Offering	Each shareholder receives the right to buy a proportional number of additional shares at a set (often discounted) price. The calculation assumes that the offering is fully subscribed. Divisor adjustment reflects increase in market cap measured as the shares issued multiplied by the price paid.	Yes

Stock splits and stock dividends do not affect the S&P 500 Index Divisor of the S&P 500 Index, because following a split or dividend both the stock price and number of shares outstanding are adjusted by S&P so that there is no change in the Market Value of the S&P 500 Component Stock. Corporate actions (such as stock splits, stock dividends, spin-offs and rights offerings) are implemented after the close of trading on the day prior to the ex-date. Share changes resulting from exchange offers are made on the ex-date.

Each of the corporate events exemplified in the table requiring an adjustment to the S&P 500 Index Divisor has the effect of altering the Market Value of the S&P 500 Component Stock and consequently of altering the aggregate Market Value of the S&P 500 Component Stocks (the "Post-Event Aggregate Market Value"). In order that the level of the S&P 500 Index (the "Pre-Event Index Value") not be affected by the altered Market Value (whether increase or decrease) of the affected S&P 500 Component Stock, a new S&P 500 Index Divisor ("New S&P 500 Divisor") is derived as follows:

$$\frac{\text{Post-Event Aggregate Market Value}}{\text{New S\&P 500 Divisor}} = \text{Pre-Event Index Value}$$

$$\text{New S\&P 500 Divisor} = \frac{\text{Post-Event Aggregate Market Value}}{\text{Pre-Event Index Value}}$$

A large part of the S&P 500 Index maintenance process involves tracking the changes in the number of shares outstanding of each of the S&P 500 Index companies. Changes in a company's total shares outstanding of 5% or more due to public offerings, tender offers, Dutch auctions or exchange offers are made as soon as reasonably possible. Other changes of 5% or more are made weekly, and are announced on Wednesdays for implementation after the close of trading the following Wednesday (one week later). All other changes of less than 5% are accumulated and made quarterly on the third Friday of March, June, September, and December when the share totals of companies in the S&P 500 Index are updated as required by any changes in the number of shares outstanding. After the totals are updated, the S&P 500 Index Divisor is adjusted to compensate for the net change in the total Market Value of the S&P 500 Index.

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Consumer Discretionary Select Sector Index

The Consumer Discretionary Select Sector Index, which is one of the nine Select Sector sub-indices of the S&P 500 Index, is intended to give investors an efficient, modified market capitalization-based way to track the movements of certain public companies that represent the consumer discretionary sector of the S&P 500 Index. As of June 30, 2011, the Consumer Discretionary Select Sector Index included 79 component stocks in industries such as retail (specialty, multi-line, internet and catalog); media; hotels, restaurants & leisure; household durables; textiles, apparel & luxury goods; automobiles, auto components and distributors; leisure equipment & products; and diversified consumer services. As of June 30, 2011, the Consumer Discretionary Select Sector Index represented approximately 10.65% of the S&P 500 Index based on the market capitalization of the stocks.

Consumer Staples Select Sector Index

The Consumer Staples Select Sector Index, which is one of the nine Select Sector sub-indices of the S&P 500 Index, is intended to give investors an efficient, modified market capitalization-based way to track the movements of certain public companies that represent the consumer staples sector of the S&P 500 Index. As of June 30, 2011, the Consumer Staples Select Sector Index included 41 component stocks in industries such as food & staples retailing; household products; food products; beverages; tobacco; and personal products. As of June 30, 2011, the Consumer Staples Select Sector Index represented approximately 10.64% of the S&P 500 Index based on the market capitalization of the stocks.

Energy Select Sector Index

The Energy Select Sector Index, which is one of the nine Select Sector sub-indices of the S&P 500 Index, is intended to track the movements of companies that are components of the S&P 500® Index and are involved in the development or production of energy products. As of June 30, 2011, the Energy Select Sector Index 41 component stocks in industries such as oil, gas & consumable fuels and energy equipment & services. The Energy Select Sector Index was established with a value of 250.00 on June 30, 1998. As of June 30, 2011, the Energy Select Sector Index represented approximately 12.68% of the S&P 500 Index based on the market capitalization of the stocks.

Financial Select Sector Index

The Financial Select Sector Index, which is one of the nine Select Sector sub-indices of the S&P 500 Index, is intended to give investors an efficient, modified market capitalization-based way to track the movements of certain public companies that represent the financial sector of the S&P 500 Index. As of June 30, 2011, the Financial Services Sector Index included 82 component stocks in the following industries: diversified financial services, insurance, commercial banks, capital markets, real estate investment trusts ("REITs"), thrift & mortgage finance, consumer finance and real estate management & development. As of June 30, 2011, the Financial Select Sector Index represented approximately 15.13% of the S&P 500 Index based on the market capitalization of the stocks.

Healthcare Select Sector Index

The Healthcare Select Sector Index, which is one of the nine Select Sector sub-indices of the S&P 500 Index, is intended to give investors an efficient, modified market capitalization-based way to track the movements of certain public companies that represent the healthcare sector of the S&P 500 Index. As of June 30, 2011, the Healthcare Select Sector Index included 52 component stocks in the following industries: pharmaceuticals; health care providers & services; health care equipment & supplies; biotechnology; life sciences tools & services; and health care technology. As of June 30, 2011, the Healthcare Select Sector Index represented approximately 11.71% of the S&P 500 Index based on market capitalization of the stocks.

The stocks included in each Select Sector Index, including the Consumer Staples Select Sector Index, the Consumer Discretionary Select Sector Index, the Energy Select Sector Index and the Financial Select Sector Index, are selected by Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") acting as Index Compilation Agent in consultation with S&P. S&P acts as "Index Calculation Agent" in connection with the calculation and dissemination of each Select Sector Index.

Each stock in the S&P 500 Index is allocated to only one Select Sector Index, and the nine Select Sector Indices (listed below) together comprise all of the companies in the S&P 500 Index.

Select Sector Index
The Consumer Discretionary Select Sector Index
The Consumer Staples Select Sector Index
The Energy Select Sector Index
The Financial Select Sector Index
The Health Care Select Sector Index
The Industrial Select Sector Index
The Materials Select Sector Index
The Technology Select Sector Index
The Utilities Select Sector Index

Each Select Sector Index was developed and is maintained in accordance with the following criteria:

- Each of the component stocks in a Select Sector Index (the "Component Stocks") is a constituent company of the S&P 500 Index.
- The nine Select Sector Indices together will include all of the companies represented in the S&P 500 Index and each of the stocks in the S&P 500 Index will be allocated to one and only one of the Select Sector Indices.
- Merrill Lynch, acting as the Index Compilation Agent, assigns each constituent stock of the S&P 500 Index to a Select Sector Index. The Index Compilation Agent, after consultation with S&P, assigns a company's stock to a particular Select Sector Index on the basis of such company's sales and earnings composition and the sensitivity of the company's stock price and business results to the common factors that affect other companies in each Select Sector Index. S&P has sole control over the removal of stocks from the S&P 500 Index and the selection of replacement stocks to be added to the S&P 500 Index. However, S&P plays only a consulting role in the Select Sector Index assignment of the S&P 500 Index component stocks, which is the sole responsibility of the Index Compilation Agent.
- Each Select Sector Index is weighted based on the market capitalization of each of the Component Stocks, subject to the following asset diversification requirements: (i) the market capitalization-based weighted value of any single Component Stock measured on the last day of a calendar quarter may not exceed 24.99% of the total value of its respective Select Sector Index; and (ii) with respect to 50% of the total value of the Select Sector Index, the market capitalization-based weighted value of the Component Stocks must be diversified so that no single Component Stock measured on the last day of a calendar quarter represents more than 4.99% of the total value of its respective Select Sector Index.

Each Select Sector Index is calculated using the same methodology utilized by S&P in calculating the S&P 500 Index, using a base-weighted aggregate methodology. See "—S&P 500 Index" above. The daily calculation of each Select Sector Index is computed by dividing the total market value of the companies in the Select Sector Index by a number called the index divisor.

The Index Compilation Agent at any time may determine that a Component Stock which has been assigned to one Select Sector Index has undergone such a transformation in the composition of its business that it should be removed from that Select Sector Index and assigned to a different Select Sector Index. In the event that the Index Compilation Agent notifies S&P that a Component Stock's Select Sector Index assignment should be changed, the S&P will disseminate notice of the change following its standard procedure for announcing index changes and will implement the change in the affected Select Sector Indices on a date no less than one week after the initial dissemination of information on the sector change to the maximum extent practicable. It is not anticipated that Component Stocks will change sectors frequently.

Component Stocks removed from and added to the S&P 500 Index will be deleted from and added to the appropriate Select Sector Index on the same schedule used by S&P for additions and deletions from the S&P 500 Index insofar as practicable.

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The license agreement between S&P and Morgan Stanley provides that the following language must be set forth in this index supplement:

The securities are not sponsored, endorsed, sold or promoted by S&P. S&P makes no representation or warranty, express or implied, to the owners of the securities or any member of the public regarding the advisability of investing in securities generally or in the securities particularly or the ability of the Select Sector Indices to track general stock market performance. S&P's only relationship to us is the licensing of the Select Sector Indices to us, which is determined, composed and calculated by S&P without regard to us or the securities. S&P has no obligation to take our needs or the needs of the owners of the securities into consideration in determining, composing or calculating the Select Sector Indices. S&P is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the securities to be issued or in the determination or calculation of the equation by which the securities are to be converted into cash. S&P has no obligation or liability in connection with the administration, marketing or trading of the securities.

S&P DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE SELECT SECTOR INDICES OR ANY DATA INCLUDED THEREIN. S&P MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY MORGAN STANLEY, OWNERS OF THE SECURITIES, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE SELECT SECTOR INDICES OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE RIGHTS LICENSED UNDER THE LICENSE AGREEMENT DESCRIBED HEREIN OR FOR ANY OTHER USE. S&P MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND HEREBY EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE SELECT SECTOR INDICES OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL S&P HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

S&P 500® Growth Index

The S&P® 500 Growth Index is a subset of the S&P® 500 Index, is published by S&P and is an unmanaged float adjusted market capitalization weighted index comprised of stocks representing approximately half the market capitalization of the S&P® 500 Index that have been identified as being on the "growth" end of the growth-value spectrum.

On November 4, 2011, McGraw-Hill, the owner of the S&P Indices business, and CME Group, the 90% owner of the CME Group and Dow Jones & Company, Inc. joint venture that owns the Dow Jones Indexes business, announced a new joint venture, S&P/Dow Jones Indices, which will own the S&P Indices business and the Dow Jones Indexes business, including the S&P 500 Growth Index. McGraw-Hill and CME Group expect S&P/Dow Jones Indices to be operational in the first half of 2012, subject to regulatory approval and other conditions.

Methodology. The S&P 500 Growth Index is one of the S&P Style Indices. The S&P Style Indices methodology was developed to measure growth and value characteristics based on six different growth and value factors, while reflecting the fact that some companies exhibit neither strong growth nor value attributes.

S&P measures growth and value of each of the companies included in the S&P 500 Index across three growth factors and three value factors. The growth factors include three-year change in earnings per share over price per share, three year sales per share growth rate and momentum (12-month percent price change). The value factors include book value to price ratio, earnings to price ratio and sales to price ratio. After standardizing the factor scores, each company is assigned a growth score and a value score by averaging its individual growth and value factor scores, respectively. All 500 companies are then ranked twice, once by growth and once by value. These companies are sorted in ascending order of the ratio of each company's growth rank divided by its value rank. Companies in the top 33% of this list as measured by weight in the S&P 500 Index have all of their market capitalization assigned to the S&P 500 Growth Index. Companies in the bottom 33% of this list as measured by weight in the S&P 500 Index have all of their market capitalization assigned to the S&P 500 Value Index. Companies in the middle 34% of this list have their market capitalization distributed between the growth and value style indices according to the deviation of their growth and value score from the average score in each of the two groups. This methodology results in some companies being members of both the growth and value indices, but because the market capitalization of these companies is split between the two indices, the summed total capitalization of the growth and value indices equals the total capitalization of the parent index, the S&P 500 Index. Growth scores and value scores are reviewed and indices are rebalanced once a year on the third Friday of December. The S&P 500 Growth Index is calculated following S&P's market capitalization-weighted, divisor-based index methodology. For more information on the S&P 500 Index, see "—S&P 500 Index" above.

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S&P 500® Value Index

The S&P® 500 Value Index is a subset of the S&P® 500 Index, is published by S&P and is an unmanaged float adjusted market capitalization weighted index comprised of stocks representing approximately half the market capitalization of the S&P® 500 Index that have been identified as being on the "value" end of the growth-value spectrum.

On November 4, 2011, McGraw-Hill, the owner of the S&P Indices business, and CME Group, the 90% owner of the CME Group and Dow Jones & Company, Inc. joint venture that owns the Dow Jones Indexes business, announced a new joint venture, S&P/Dow Jones Indices, which will own the S&P Indices business and the Dow Jones Indexes business, including the S&P 500 Value Index. McGraw-Hill and CME Group expect S&P/Dow Jones Indices to be operational in the first half of 2012, subject to regulatory approval and other conditions.

Methodology. The S&P 500 Value Index is one of the S&P Style Indices. The S&P Style Indices methodology was developed to measure growth and value characteristics based on six different growth and value factors, while reflecting the fact that some companies exhibit neither strong growth nor value attributes.

S&P measures growth and value of each of the companies included in the S&P 500 Index across three growth factors and three value factors. The growth factors include three-year change in earnings per share over price per share, three year sales per share growth rate and momentum (12-month percent price change). The value factors include book value to price ratio, earnings to price ratio and sales to price ratio. After standardizing the factor scores, each company is assigned a growth score and a value score by averaging its individual growth and value factor scores, respectively. All 500 companies are then ranked twice, once by growth and once by value. These companies are sorted in ascending order of the ratio of each company's growth rank divided by its value rank. Companies in the top 33% of this list as measured by weight in the S&P 500 Index have all of their market capitalization assigned to the S&P 500 Growth Index. Companies in the bottom 33% of this list as measured by weight in the S&P 500 Index have all of their market capitalization assigned to the S&P 500 Value Index. Companies in the middle 34% of this list have their market capitalization distributed between the growth and value style indices according to the deviation of their growth and value score from the average score in each of the two groups. This methodology results in some companies being members of both the growth and value indices, but because the market capitalization of these companies is split between the two indices, the summed total capitalization of the growth and value indices equals the total capitalization of the parent index, the S&P 500 Index. Growth scores and value scores are reviewed and indices are rebalanced once a year on the third Friday of December. The S&P 500 Growth Index is calculated following S&P's market capitalization-weighted, divisor-based index methodology. For more information on the S&P 500 Index, see "—S&P 500 Index" above.

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S&P 100® Index

The S&P 100® Index is calculated, maintained and published by S&P.

On November 4, 2011, McGraw-Hill, the owner of the S&P Indices business, and CME Group, the 90% owner of the CME Group and Dow Jones & Company, Inc. joint venture that owns the Dow Jones Indexes business, announced a new joint venture, S&P/Dow Jones Indices, which will own the S&P Indices business and the Dow Jones Indexes business, including the S&P 100 Index. McGraw-Hill and CME Group expect S&P/Dow Jones Indices to be operational in the first half of 2012, subject to regulatory approval and other conditions.

The S&P 100 Index is a subset of the S&P 500 Index and comprises 100 leading U.S. stocks with exchange-listed options. Constituents of the S&P 100 Index are selected for sector balance. The calculation of the value of the S&P 100 Index (discussed below in further detail) is based on the relative value of the aggregate Market Value (as defined below) of the common stocks of 100 companies (the "S&P 100 Component Stocks") as of a particular time as compared to the aggregate average Market Value of the common stocks of 100 similar companies during the base period. The "Market Value" of any S&P 100 Component Stock is the product of the market price per share and the number of the then outstanding shares of such S&P 100 Component Stock.

The S&P 100 Index was originally developed by the Chicago Board Options Exchange (CBOE), which later transferred the S&P 100 Index to S&P for management. S&P's U.S. Index Committee, which oversees the S&P 500 Index and other

S&P equity indices, maintains the S&P 100 Index. Because the S&P 100 Index is derived from the S&P 500 Index, the S&P 100 Index stocks are also subject to the published S&P 500 criteria for additions and deletions. In addition, only companies included in the S&P 500 Index are eligible for inclusion in the S&P 100 Index. All stocks added to the S&P 100 Index must maintain exchange-listed options. Stocks included in the S&P 100 Index must also meet the S&P U.S. Index Committee's guidelines for sector representation. The sector composition of the S&P 100 Index has remained comparable to the sector composition of the S&P 500 Index. The S&P U.S. Index Committee may remove a company from the S&P 100 Index if the company does not meet the inclusion qualifications or if the index becomes unbalanced in its sector representation. The S&P U.S. Index Committee may also remove any company that violates any of the S&P 500 criteria.

The S&P 100 Index and S&P's other U.S. indices moved to a float adjustment methodology in 2005 so that the indices reflect only those shares that are generally available to investors in the market rather than all of a company's outstanding shares. Float adjustment excludes three groups of shareholders:

- Holdings by other publicly traded corporations, venture capital firms, private equity firms, strategic partners or leveraged buy-out groups;

- Holdings by government entities, including all levels of government in the United States or foreign countries; and

- Holdings by current or former officers and directors of the company, founders of the company, or family trusts of officers, directors or founders and holdings of trusts, foundations, pension funds, employee stock ownership plans or other investment vehicles associated with and controlled by the company.

The S&P 100 Index is calculated using a base-weighted aggregate methodology where the level of the S&P 100 Index reflects the total Market Value of all 100 S&P 100 Component Stocks relative to the S&P 100 Index's base period.

An indexed number is used to represent the results of this calculation in order to make the value easier to work with and track over time.

The daily calculation of the S&P 100 Index is computed by dividing the total Market Value of the S&P 100 Component Stocks by a number called the "S&P 100 Index Divisor." By itself, the S&P 100 Index Divisor is an arbitrary number. However, in the context of the calculation of the S&P 100 Index, it is the only link to the original base period value of the S&P 100 Index. The S&P 100 Index Divisor keeps the S&P 100 Index comparable over time and is the manipulation point for all adjustments to the S&P 100 Index ("S&P 100 Index Maintenance").

S&P 100 Index Maintenance includes monitoring and completing adjustments for company additions and deletions, share changes, stock splits, stock dividends, and stock-price adjustments due to company restructurings or spinoffs.

To prevent the value of the S&P 100 Index from changing due to corporate actions, all corporate actions which affect the total Market Value of the S&P 100 Index require a S&P 100 Index Divisor adjustment. By adjusting the S&P 100 Index Divisor for the change in total Market Value, the value of the S&P 100 Index remains constant. This helps maintain the value of the S&P 100 Index as an accurate barometer of stock market performance and ensures that the movement of the S&P 100 Index does not reflect the corporate actions of individual companies in the S&P 100 Index. All S&P 100 Index Divisor adjustments are made after the close of trading and after the calculation of the index closing value of the S&P 100 Index. Some corporate actions, such as stock splits and stock dividends, require simple changes in the common shares outstanding and the stock prices of the companies in the S&P 100 Index and do not require S&P 100 Index Divisor adjustments.

The table below summarizes the types of S&P 100 Index maintenance adjustments and indicates whether or not a S&P 100 Index Divisor adjustment is required:

Type of Corporate Action	Comment	Divisor Adjustment Required
Company Added/Deleted	Net change in market value determines the divisor adjustment	Yes
Change in Shares Outstanding	Any combination of secondary issuance, share repurchase or buy back – share counts revised to reflect change.	Yes
Stock Split	Share count revised to reflect new count. Divisor adjustment is not required since the share count and price changes are offsetting.	No
Spin-off	If the spun-off company is not being added to the index, the divisor adjustment reflects the decline in index market value (i.e., the value of the spun-off unit).	Yes

Spin-off	Spun-off company added to the index, no company removed from the index.	No
Spin-off	Spun-off company added to the index, another company removed to keep number of names fixed. Divisor adjustment reflects deletion.	Yes
Change in Investable Weight Factor (IWF)	Increasing (decreasing) the IWF increases (decreases) the total market value of the index. The divisor change reflects the change in market value caused by the change to an IWF.	Yes
Special Dividends	When a company pays a special dividend the share price is assumed to drop by the amount of the dividend; the divisor adjustment reflects this drop in index market value.	Yes
Rights Offering	Each shareholder receives the right to buy a proportional number of additional shares at a set (often discounted) price. The calculation assumes that the offering is fully subscribed. Divisor adjustment reflects increase in market cap measured as the shares issued multiplied by the price paid.	Yes

Stock splits and stock dividends do not affect the S&P 100 Index Divisor of the S&P 100 Index, because following a split or dividend both the stock price and number of shares outstanding are adjusted by S&P so that there is no change in the Market Value of the S&P 100 Component Stock. Corporate actions (such as stock splits, stock dividends, spin-offs and rights offerings) are implemented after the close of trading on the day prior to the ex-date. Share changes resulting from exchange offers are made on the ex-date.

Each of the corporate events exemplified in the table requiring an adjustment to the S&P 100 Index Divisor has the effect of altering the Market Value of the S&P 100 Component Stock and consequently of altering the aggregate Market Value of the S&P 100 Component Stocks (the "Post-Event Aggregate Market Value"). In order that the level of the S&P 100 Index (the "Pre-Event Index Value") not be affected by the altered Market Value (whether increase or decrease) of the affected S&P 100 Component Stock, a new S&P 100 Index Divisor ("New S&P 100 Divisor") is derived as follows:

$$\frac{\text{Post-Event Aggregate Market Value}}{\text{New S\&P 100 Divisor}} = \text{Pre-Event Index Value}$$

$$\text{New S\&P 100 Divisor} = \frac{\text{Post-Event Aggregate Market Value}}{\text{Pre-Event Index Value}}$$

A large part of the S&P 100 Index maintenance process involves tracking the changes in the number of shares outstanding of each of the S&P 100 Index companies. Changes in a company's total shares outstanding of 5% or more due to public offerings, tender offers, Dutch auctions or exchange offers are made as soon as reasonably possible. Other changes of 5% or more are made weekly, and are announced on Wednesdays for implementation after the close of trading the following Wednesday (one week later). All other changes of less than 5% are accumulated and made quarterly on the third Friday of March, June, September, and December when the share totals of companies in the S&P 100 Index are updated as required by any changes in the number of shares outstanding. After the totals are updated, the S&P 100 Index Divisor is adjusted to compensate for the net change in the total Market Value of the S&P 100 Index.

License Agreement between S&P and Morgan Stanley. S&P and Morgan Stanley have entered into a non-exclusive license agreement providing for the license to Morgan Stanley, and certain of its affiliated or subsidiary companies, in exchange for a fee, of the right to use the S&P 100 Index, which is owned and published by S&P, in connection with the securities.

The license agreement between S&P and Morgan Stanley provides that the following language must be set forth in this index supplement:

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S&P DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE S&P 100 INDEX OR ANY DATA INCLUDED THEREIN AND S&P SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. S&P MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY MORGAN STANLEY, OWNERS OF THE SECURITIES, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE S&P 100 INDEX OR ANY DATA INCLUDED THEREIN. S&P MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE S&P 100 INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL S&P HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

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S&P MidCap 400® Index

The S&P MidCap 400® Index (the "S&P MidCap Index") is published by S&P and is intended to provide a benchmark for performance measurement of the medium capitalization segment of the U.S. equity markets.

On November 4, 2011, McGraw-Hill, the owner of the S&P Indices business, and CME Group, the 90% owner of the CME Group and Dow Jones & Company, Inc. joint venture that owns the Dow Jones Indexes business, announced a new joint venture, S&P/Dow Jones Indices, which will own the S&P Indices business and the Dow Jones Indexes business, including the S&P MidCap Index. McGraw-Hill and CME Group expect S&P/Dow Jones Indices to be operational in the first half of 2012, subject to regulatory approval and other conditions.

The S&P MidCap Index tracks the stock price movement of 400 companies with mid-sized market capitalizations, primarily ranging from $1 billion to $4.4 billion. This range is reviewed from time to time to ensure consistency with market conditions. The calculation of the value of the S&P MidCap Index (discussed below in further detail) is based on the relative value of the aggregate Market Value (as defined below) of the common stocks of 400 companies (the "S&P Midcap Component Stocks") as of a particular time as compared to the aggregate average Market Value of the common stocks of 400 similar companies during the base period of June 28, 1991. The "Market Value" of any S&P Midcap Component Stock is the product of the market price per share and the number of the then outstanding shares of such S&P Midcap Component Stock. S&P chooses companies for inclusion in the S&P MidCap Index with an aim of achieving a distribution by broad industry groupings that approximates the distribution of these groupings in the common stock population of the medium capitalization segment of the U.S. equity market. S&P may from time to time, in its sole discretion, add companies to, or delete companies from, the S&P MidCap Index to achieve the objectives stated above. Relevant criteria employed by S&P include the viability of the particular company, the extent to which that company represents the industry group to which it is assigned, the extent to which the company's common stock is widely held and the Market Value and trading activity of the common stock of that company.

The S&P MidCap Index and S&P's other U.S. indices moved to a float adjustment methodology in 2005 so that the indices reflect only those shares that are generally available to investors in the market rather than all of a company's outstanding shares. Float adjustment excludes three groups of shareholders:

- Holdings by other publicly traded corporations, venture capital firms, private equity firms, strategic partners or leveraged buy-out groups;
- Holdings by government entities, including all levels of government in the United States or foreign countries; and
- Holdings by current or former officers and directors of the company, founders of the company, or family trusts of officers, directors or founders and holdings of trusts, foundations, pension funds, employee stock ownership plans or other investment vehicles associated with and controlled by the company.

The S&P MidCap Index is calculated using a base-weighted aggregate methodology: the level of the S&P MidCap Index reflects the total Market Value of all 400 S&P Midcap Component Stocks relative to the S&P MidCap Index's base period of June 28, 1991 (the "Base Period"). An indexed number is used to represent the results of this calculation in order to make the value easier to work with and track over time.

The actual total Market Value of the S&P Midcap Component Stocks during the Base Period has been set equal to an indexed value of 100. This is often indicated by the notation June 28, 1991=100. In practice, the daily calculation of the S&P MidCap Index is computed by dividing the total Market Value of the S&P Midcap Component Stocks by a number called the "S&P MidCap Index Divisor." By itself, the S&P MidCap Index Divisor is an arbitrary number. However, in the context of the calculation of the S&P MidCap Index, it is the only link to the original base period value of the S&P MidCap Index. The S&P MidCap Index Divisor keeps the S&P MidCap Index comparable over time and is the manipulation point for all adjustments to the S&P MidCap Index ("S&P MidCap Index Maintenance"). S&P MidCap Index Maintenance includes monitoring and completing the adjustments for company additions and deletions, share changes, stock splits, stock dividends and stock price adjustments due to company restructurings or spinoffs.

To prevent the value of the S&P MidCap Index from changing due to corporate actions, all corporate actions which affect the total Market Value of the S&P MidCap Index require a S&P MidCap Index Divisor adjustment. By adjusting the S&P MidCap Index Divisor for the change in total Market Value, the value of the S&P MidCap Index remains constant. This helps maintain the value of the S&P MidCap Index as an accurate barometer of stock market performance and ensures that the movement of the S&P MidCap Index does not reflect the corporate actions of individual companies in the S&P MidCap Index. All S&P MidCap Index Divisor adjustments are made after the close of trading and after the calculation of the index closing value of the S&P MidCap Index. Some corporate actions, such as stock splits and stock dividends, require simple changes in the common shares outstanding and the stock prices of the companies in the S&P MidCap Index and do not require S&P MidCap Index Divisor adjustments.

The table below summarizes the types of S&P MidCap Index maintenance adjustments and indicates whether or not a S&P MidCap Index Divisor adjustment is required.

Type of Corporate Action	Comment	Divisor Adjustment Required
Company Added/Deleted	Net change in market value determines the divisor adjustment	Yes
Change in Shares Outstanding	Any combination of secondary issuance, share repurchase or buy back – share counts revised to reflect change.	Yes
Stock Split	Share count revised to reflect new count. Divisor adjustment is not required since the share count and price changes are offsetting.	No
Spin-off	If the spun-off company is not being added to the index, the divisor adjustment reflects the decline in index market value (i.e., the value of the spun-off unit).	Yes
Spin-off	Spun-off company added to the index, no company removed from the index.	No
Spin-off	Spun-off company added to the index, another company removed to keep number of names fixed. Divisor adjustment reflects deletion.	Yes
Change in Investable Weight Factor (IWF)	Increasing (decreasing) the IWF increases (decreases) the total market value of the index. The divisor change reflects the change in market value caused by the change to an IWF.	Yes
Special Dividends	When a company pays a special dividend the share price is assumed to drop by the amount of the dividend; the divisor adjustment reflects this drop in index market value.	Yes
Rights Offering	Each shareholder receives the right to buy a proportional number of additional shares at a set (often discounted) price. The calculation assumes that the offering is fully subscribed. Divisor adjustment reflects increase in market cap measured as the shares issued multiplied by the price paid.	Yes

Stock splits and stock dividends do not affect the S&P MidCap Index Divisor of the S&P MidCap Index, because following a split or dividend both the stock price and number of shares outstanding are adjusted by S&P so that there is no change in the Market Value of the S&P Midcap Component Stock. Corporate actions (such as stock splits, stock dividends, spin-offs and rights offerings) are implemented after the close of trading on the day prior to the ex-date. Share changes resulting from exchange offers are made on the ex-date.

Each of the corporate events exemplified in the table requiring an adjustment to the S&P MidCap Index Divisor has the effect of altering the Market Value of the S&P Midcap Component Stock and consequently of altering the aggregate Market Value of the S&P Midcap Component Stocks (the "Post-Event Aggregate Market Value"). In order that the level of the S&P MidCap Index (the "Pre-Event Index Value") not be affected by the altered Market Value (whether increase or decrease) of the affected S&P Midcap Component Stock, a new S&P MidCap Index Divisor ("New S&P MidCap Divisor") is derived as follows:

$$\frac{\text{Post-Event Aggregate Market Value}}{\text{New S\&P MidCap Divisor}} = \text{Pre-Event Index Value}$$

$$\text{New S\&P MidCap Divisor} = \frac{\text{Post-Event Aggregate Market Value}}{\text{Pre-Event Index Value}}$$

A large part of the S&P MidCap Index maintenance process involves tracking the changes in the number of shares outstanding of each of the S&P MidCap Index companies. Changes in a company's total shares outstanding of 5% or more due to public offerings, tender offers, Dutch auctions or exchange offers are made as soon as reasonably possible. Other changes of 5% or more are made weekly, and are announced on Wednesdays for implementation after the close of trading the following Wednesday (one week later). All other changes of less than 5% are accumulated and made quarterly on the third Friday of March, June, September, and December when, the share totals of companies in the S&P MidCap Index are updated as required by any changes in the number of shares outstanding. After the totals are updated, the S&P MidCap Index Divisor is adjusted to compensate for the net change in the total Market Value of the S&P MidCap Index.

License Agreement between S&P and Morgan Stanley. S&P and Morgan Stanley have entered into a non-exclusive license agreement providing for the license to Morgan Stanley, and certain of its affiliated or subsidiary companies, in exchange for a fee, of the right to use the S&P MidCap Index, which is owned and published by S&P, in connection with the securities.

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S&P SmallCap 600® Index

The S&P SmallCap 600® Index (the "S&P SmallCap Index") is published by S&P and is intended to provide a benchmark for performance measurement of the small capitalization segment of the U.S. equity markets.

On November 4, 2011, McGraw-Hill, the owner of the S&P Indices business, and CME Group, the 90% owner of the CME Group and Dow Jones & Company, Inc. joint venture that owns the Dow Jones Indexes business, announced a new joint venture, S&P/Dow Jones Indices, which will own the S&P Indices business and the Dow Jones Indexes business, including the S&P SmallCap Index. McGraw-Hill and CME Group expect S&P/Dow Jones Indices to be operational in the first half of 2012, subject to regulatory approval and other conditions.

The S&P SmallCap Index tracks the stock price movement of 600 companies with small market capitalizations, primarily ranging from $300 million to $1.4 billion. This range is reviewed from time to time to ensure consistency with market conditions. The calculation of the value of the S&P SmallCap Index (discussed below in further detail) is based on the relative value of the aggregate Market Value (as defined below) of the common stocks of 600 companies (the "S&P SmallCap Component Stocks") as of a particular time as compared to the aggregate average Market Value of the common stocks of 600 similar companies during the base period of December 31, 1993 (the "Base Period"). The "Market Value" of any S&P SmallCap Component Stock is the product of the market price per share and the number of the then outstanding shares of such S&P SmallCap Component Stock. S&P chooses companies for inclusion in the S&P SmallCap Index with an aim of achieving a distribution by broad industry groupings that approximates the distribution of these groupings in the common stock population of the small capitalization segment of the U.S. equity market. S&P may from time to time, in its sole discretion, add companies to, or delete companies from, the S&P SmallCap Index to achieve the objectives stated above. Relevant criteria employed by S&P include the viability of the particular company, the extent to which that company represents the industry group to which it is assigned, the extent to which the company's common stock is widely held and the Market Value and trading activity of the common stock of that company.

The S&P SmallCap Index and S&P's other U.S. indices moved to a float adjustment methodology in 2005 so that the indices reflect only those shares that are generally available to investors in the market rather than all of a company's outstanding shares. Float adjustment excludes three groups of shareholders:

- Holdings by other publicly traded corporations, venture capital firms, private equity firms, strategic partners or leveraged buy-out groups;
- Holdings by government entities, including all levels of government in the United States or foreign countries; and
- Holdings by current or former officers and directors of the company, founders of the company, or family trusts of officers, directors or founders and holdings of trusts, foundations, pension funds, employee stock ownership plans or other investment vehicles associated with and controlled by the company.

The S&P SmallCap Index is calculated using a base-weighted aggregate methodology: the level of the S&P SmallCap Index reflects the total Market Value of all 600 S&P SmallCap Component Stocks relative to the S&P SmallCap Index's Base Period. An indexed number is used to represent the results of this calculation in order to make the value easier to work with and track over time.

The actual total Market Value of the S&P SmallCap Component Stocks during the Base Period has been set equal to an indexed value of 100. This is often indicated by the notation December 31, 1993=100. In practice, the daily calculation of the S&P SmallCap Index is computed by dividing the total Market Value of the S&P SmallCap Component Stocks by a number called the "S&P SmallCap Index Divisor." By itself, the S&P SmallCap Index Divisor is an arbitrary number. However, in the context of the calculation of the S&P SmallCap Index, it is the only link to the original base period value of the S&P SmallCap Index. The S&P SmallCap Index Divisor keeps the S&P SmallCap Index comparable over time and is the manipulation point for all adjustments to the S&P SmallCap Index ("S&P SmallCap Index Maintenance"). S&P SmallCap Index Maintenance includes monitoring and completing the adjustments for company additions and deletions, share changes, stock splits, stock dividends and stock price adjustments due to company restructurings or spinoffs.

To prevent the value of the S&P SmallCap Index from changing due to corporate actions, all corporate actions which affect the total Market Value of the S&P SmallCap Index require a S&P SmallCap Index Divisor adjustment. By adjusting the S&P SmallCap Index Divisor for the change in total Market Value, the value of the S&P SmallCap Index remains constant. This helps maintain the value of the S&P SmallCap Index as an accurate barometer of stock market performance and ensures that the movement of the S&P SmallCap Index does not reflect the corporate actions of individual companies in the S&P SmallCap Index. All S&P SmallCap Index Divisor adjustments are made after the close of trading and after the calculation of the index closing value of the S&P SmallCap Index. Some corporate actions, such as stock splits and stock dividends, require simple changes in the common shares outstanding and the stock prices of the companies in the S&P SmallCap Index and do not require S&P SmallCap Index Divisor adjustments.

The table below summarizes the types of S&P SmallCap Index maintenance adjustments and indicates whether or not a S&P SmallCap Index Divisor adjustment is required.

Type of Corporate Action	Comment	Divisor Adjustment Required
Company Added/Deleted	Net change in market value determines the divisor adjustment	Yes
Change in Shares Outstanding	Any combination of secondary issuance, share repurchase or buy back – share counts revised to reflect change.	Yes
Stock Split	Share count revised to reflect new count. Divisor adjustment is not required since the share count and price changes are offsetting.	No
Spin-off	If the spun-off company is not being added to the index, the divisor adjustment reflects the decline in index market value (i.e., the value of the spun-off unit).	Yes
Spin-off	Spun-off company added to the index, no company removed from the index.	No
Spin-off	Spun-off company added to the index, another company removed to keep number of names fixed. Divisor adjustment reflects deletion.	Yes
Change in Investable Weight Factor (IWF)	Increasing (decreasing) the IWF increases (decreases) the total market value of the index. The divisor change reflects the change in market value caused by the change to an IWF.	Yes
Special Dividends	When a company pays a special dividend the share price is assumed to drop by the amount of the dividend; the divisor adjustment reflects this drop in index market value.	Yes
Rights Offering	Each shareholder receives the right to buy a proportional number of additional shares at a set (often discounted) price. The calculation assumes that the offering is fully subscribed. Divisor adjustment reflects increase in market cap measured as the shares issued multiplied by the price paid.	Yes

Stock splits and stock dividends do not affect the S&P SmallCap Index Divisor of the S&P SmallCap Index, because following a split or dividend both the stock price and number of shares outstanding are adjusted by S&P so that there is no change in the Market Value of the S&P SmallCap Component Stock. Corporate actions (such as stock splits, stock dividends, spin-offs and rights offerings) are implemented after the close of trading on the day prior to the ex-date. Share changes resulting from exchange offers are made on the ex-date.

Each of the corporate events exemplified in the table requiring an adjustment to the S&P SmallCap Index Divisor has the effect of altering the Market Value of the S&P SmallCap Component Stock and consequently of altering the aggregate Market Value of the S&P SmallCap Component Stocks (the “Post-Event Aggregate Market Value”). In order that the level of the S&P SmallCap Index (the “Pre-Event Index Value”) not be affected by the altered Market Value (whether increase or decrease) of the affected S&P SmallCap Component Stock, a new S&P SmallCap Index Divisor (“New S&P SmallCap Divisor”) is derived as follows:

$$\frac{\text{Post-Event Aggregate Market Value}}{\text{New S\&P SmallCap Divisor}} = \text{Pre-Event Index Value}$$

$$\text{New S\&P SmallCap Divisor} = \frac{\text{Post-Event Aggregate Market Value}}{\text{Pre-Event Index Value}}$$

A large part of the S&P SmallCap Index maintenance process involves tracking the changes in the number of shares outstanding of each of the S&P SmallCap Index companies. Changes in a company’s total shares outstanding of 5% or more due to public offerings, tender offers, Dutch auctions or exchange offers are made as soon as reasonably possible. Other changes of 5% or more are made weekly, and are announced on Wednesdays for implementation after the close of trading the following Wednesday (one week later). All other changes of less than 5% are accumulated and made quarterly on the third Friday of March, June, September, and December when the share totals of companies in the S&P SmallCap Index are updated as required by any changes in the number of shares outstanding. After the totals are updated, the S&P SmallCap Index Divisor is adjusted to compensate for the net change in the total Market Value of the S&P SmallCap Index. In addition, any changes over 5% in the current common shares outstanding for the S&P SmallCap Index companies are carefully reviewed on a weekly basis, and when appropriate, an immediate adjustment is made to the S&P SmallCap Index Divisor.

S&P/ASX 200 Index

The S&P/ASX 200 Index is Australia's large capitalization tradable equity index and Australia's institutional benchmark. The S&P/ASX 200 Index was introduced in April 2000 and is maintained by the S&P Australian Index Committee (the "ASX Committee"), a team of representatives from both S&P and the Australian Securities Exchange.

On November 4, 2011, McGraw-Hill, the owner of the S&P Indices business, and CME Group, the 90% owner of the CME Group and Dow Jones & Company, Inc. joint venture that owns the Dow Jones Indexes business, announced a new joint venture, S&P/Dow Jones Indices, which will own the S&P Indices business and the Dow Jones Indexes business, including the S&P/ASX 200 Index. McGraw-Hill and CME Group expect S&P/Dow Jones Indices to be operational in the first half of 2012, subject to regulatory approval and other conditions.

Composition and Maintenance. The S&P/ASX 200 Index is composed of the S&P/ASX 100 Index stocks plus an additional 100 stocks selected by the ASX Committee. As of July 2011, the S&P/ASX 200 represented approximately 80% of the Australian equity market by capitalization. The index essentially covers large-cap and mid-cap stocks evaluated for liquidity and size.

The S&P/ASX 200 Index weights companies according to the Global Industry Classification Standard ("GICS®"), which creates uniform ground rules for replicable, custom-tailored, industry-focused portfolios. It also enables meaningful comparisons of sectors and industries across regions. Sector indices are available for the S&P/ASX 200 Index.

The ASX Committee reviews constituents quarterly to ensure adequate market capitalization and liquidity. Both market capitalization and liquidity are assessed using the previous six months' worth of data. Quarterly review changes take effect on the third Friday of March, June, September and December. The weighting of constituents in the S&P/ASX 200 Index is determined by the free float assigned to each stock by the ASX Committee. Every index constituent's float adjustment is reviewed as part of the September quarterly review.

Only stocks listed on the Australian Securities Exchange ("ASX") are considered for inclusion in the S&P/ASX 200 Index. Stocks are assessed based on the average of their previous six-month day-end free float adjusted market capitalization. Only stocks that are actively and regularly traded are considered for inclusion in the S&P/ASX 200 Index. A stock's liquidity is measured relative to its size peers. There must be public float of at least 30% for a stock to warrant inclusion in the S&P/ASX 200 Index.

Index Calculation. The S&P/ASX 200 Index has a base value of 3000. Calculation for the S&P/ASX 200 Index is based on stock prices taken from the ASX. The official daily index closing values for price and accumulation indices, are calculated after the market closes and are based on the last traded price for each constituent.

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S&P BRIC 40® Index

Launched by S&P on June 20, 2006, the S&P BRIC 40® Index is intended to provide exposure to 40 leading companies from the emerging markets of Brazil, Russia, India and China. There is no minimum number of stocks from the respective four countries that have to be included. All stocks in the S&P BRIC 40 Index trade in developed market exchanges – the Hong Kong Stock Exchange, London Stock Exchange, Nasdaq Stock Market and NYSE Euronext. The S&P BRIC 40 Index uses a particular selection procedure for its component stocks, and a modified market capitalization weighting scheme, both discussed in further detail below.

On November 4, 2011, McGraw-Hill, the owner of the S&P Indices business, and CME Group, the 90% owner of the CME Group and Dow Jones & Company, Inc. joint venture that owns the Dow Jones Indexes business, announced a new joint venture, S&P/Dow Jones Indices, which will own the S&P Indices business and the Dow Jones Indexes business, including the S&P BRIC 40 Index. McGraw-Hill and CME Group expect S&P/Dow Jones Indices to be operational in the first half of 2012, subject to regulatory approval and other conditions.

All constituent companies must first be constituents of the S&P/IFCI index series for one of the four countries. The S&P/IFCI indices are designed to measure the type of returns foreign portfolio investors might receive from investing in emerging market stocks that are legally and practically available to them. Constituents for the S&P/IFCI series are chosen based on size, liquidity, and their legal and practical availability to foreign institutional investors. The S&P/IFCI indices are calculated on a daily basis for each country.

The process of selecting the 40 companies is as follows. All constituents of the S&P/IFCI country indices for Brazil, Russia, India and China constitute the initial selection universe. All companies that do not have a developed market listing are removed from the list. Companies with a float-adjusted market capitalization of less than $1 billion and/or an average three-month daily trading volume of less than $5 million are removed. In addition, if a company has multiple share classes, the share class with the lower liquidity is removed. The remaining stocks are sorted in decreasing order of their float-adjusted market capitalization, and the top forty become index members.

The S&P BRIC 40 Index is rebalanced once a year after the close of the third Friday of December. The reference date for additions and deletions is the third Friday of November. No companies are added between rebalancings, but a company can be deleted during that time due to corporate events such as mergers, acquisitions, takeovers or de-listings. In addition, a mid-year review is carried out to ensure the index's representation is current and up to date. A semi-annual rebalancing will occur after the market close of the third Friday in June only if three of the biggest 30 stocks from the eligible universe are not in the index at the mid-year review.

An Index Committee (the "S&P BRIC 40 Index Committee") maintains the S&P BRIC 40 Index, meeting regularly. The committee members are full-time professionals of S&P's staff. At each meeting, the S&P BRIC 40 Index Committee reviews pending corporate actions that may affect index constituents, statistics comparing the composition of the indices to the market, and any significant market events. In addition, the S&P BRIC 40 Committee can revise index policy covering rules for selecting companies, share counts, the liquidity and market cap thresholds or other matters.

The S&P BRIC 40 Index is calculated in U.S. dollars and Euros. Local market prices are converted using the Reuters/WM London closing. The pricing of individual index constituents is taken from their listing in the developed market exchange in which it trades. If a stock trades on more than one developed market exchange, the listing from the market with the most liquidity is taken.

As of December 31, 2010, 44.5% of the S&P BRIC 40 Index weight was made up by Chinese stocks, 27.7% by Brazilian stocks, 19.3% by Russian stocks and 8.5% by Indian stocks. As of the same date, the largest sectors of the S&P BRIC 40 Index were financials (composing 36.4% of Index weight), energy (composing 33.4% of Index weight), telecom (composing 9.2% of Index weight), and materials (composing 9.2% of Index weight).

Once the constituent companies are identified, S&P utilizes a modified market capitalization weighing procedure to determine the composition of the S&P BRIC 40 Index. In short, at rebalancing, the starting weight of each stock is proportional to its available market capitalization, which accounts for available float and investment restrictions for foreign investors. Modifications are made, if required, to ensure that no stock has a weight of more than 10% in the index. In addition, changes are made to ensure that the minimum initial portfolio size for 1-day trade (based on recent trading volume) will be at least $600 million.

The index is calculated by means of the divisor methodology used in all S&P's equity indices. The index value is simply the index market value divided by the index divisor:

$$\text{Index Value} = \text{Index Market Value} / \text{Index Divisor} \qquad (1)$$

$$\text{Index Market Value} = \sum_{i=1}^{N} (\text{Index Shares})_i \text{ x } (\text{Price})_i \qquad (2)$$

To calculate a modified market cap weighted index, the Index Market Value for each stock used in the calculation of the index is redefined so that each index constituent has the appropriate user-defined weight in the index at each rebalancing date.

In order to maintain basket series continuity, it is also necessary to adjust the divisor at the rebalancing.

$$(\text{Index Value})_{\text{before rebalancing}} = (\text{Index Value})_{\text{after rebalancing}} \qquad (3)$$

Therefore,

$$(\text{Divisor})_{\text{after rebalancing}} = (\text{Index Value})_{\text{after rebalancing}} / (\text{Index Market Value})_{\text{before rebalancing}} \qquad (4)$$

The table below summarizes the types of Index maintenance adjustments and indicates whether or not an Index Divisor Adjustment is required.

Corporate Action	**Adjustment made to index**	**Divisor Adjustment Required?**
Spin-off	In general, both the parent company and spin-off companies will remain in the index until the next index rebalancing, regardless of whether they conform to the theme of the index. When there is no market-determined price available for the spin, the spin is added to the index at zero price at the close of the day before the ex-date.	No
Rights Offering	The price is adjusted to the Price of the Parent Company minus (the Price of the Rights Offering/Rights Ratio). Index Shares change so that the company's weight remains the same as its weight before the rights offering.	No
Stock Dividend, Stock Split, Reverse Stock Split	Index Shares are multiplied by and price is divided by the split factor.	No

Share Issuance, Share Repurchase, Equity Offering or Warrant Conversion	None.	No
Special Dividends	Price of the stock making the special dividend payment is reduced by the per share special dividend amount after the close of trading on the day before the dividend ex-date.	Yes
Constituent Change	There are no intra-rebalancing additions.	–
	Deletions due to delistings, acquisition or any other corporate event resulting in the deletion of the stock from the index will cause the weights of the rest of the stocks in the index to change. Relative weights will stay the same.	Yes

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S&P DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE S&P BRIC 40 INDEX OR ANY DATA INCLUDED THEREIN. S&P MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY MORGAN STANLEY, HOLDERS OF THE SECURITIES, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE S&P BRIC 40 INDEX OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE RIGHTS LICENSED UNDER THE LICENSE AGREEMENT DESCRIBED HEREIN OR FOR ANY OTHER USE. S&P MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND HEREBY EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE S&P BRIC 40 INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL S&P HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

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S&P Global Infrastructure Index

The S&P Global Infrastructure Index, which is calculated, maintained and published by Standard & Poor's Financial Services LLC ("S&P"), consists of 75 component stocks of the largest publicly listed infrastructure companies from both developed and emerging markets, selected to provide liquid exposure to the leading publicly listed companies in the global infrastructure industry.

On November 4, 2011, McGraw-Hill, the owner of the S&P Indices business, and CME Group, the 90% owner of the CME Group and Dow Jones & Company, Inc. joint venture that owns the Dow Jones Indexes business, announced a new joint venture, S&P/Dow Jones Indices, which will own the S&P Indices business and the Dow Jones Indexes business, including the S&P Global Infrastructure Index. McGraw-Hill and CME Group expect S&P/Dow Jones Indices to be operational in the first half of 2012, subject to regulatory approval and other conditions.

Eligibility Criteria. The principal universe from which the S&P Global Infrastructure Index is drawn is the S&P Global Broad Market Index (BMI). The BMI comprises all investable, index eligible countries in the world that meet minimum size and liquidity requirements. As of December 31, 2010, there are approximately 10,000 index members representing 26 Developed and 19 Emerging Market countries.

The infrastructure clusters are chosen based on the Global Industry Classification Standard ("GICS®"), as follows:

GICS	Description	Infrastructure Cluster
10102040	Oil & Gas Storage & Transportation	Energy
20305010	Airport Services	Transportation
20305020	Highways & Railtracks	
20305030	Marine Ports & Services	
55101010	Electric Utilities	Utilities
55102010	Gas Utilities	
55103010	Multi Utilities	
55104040	Water Utilities	
55105010	Independent Power Producers & Energy Traders (Only companies considered to be Independent Power Producers are eligible. The index excludes Gas & Power Marketing & Trading Specialist and/or integrated Energy Merchants)	

Companies belonging to the above GICS sub-industries become the universe for the S&P Global Infrastructure Index. The universe is then narrowed down to an investable set of stocks based on the following criteria:

Market Capitalization. Stocks must have a total market capitalization above a Market Capitalization Threshold as of the reference date of each year. The Market Capitalization Threshold is currently US$ 250 million (adjusted Market Capitalization of US$ 200 million) for developed market listings.

Liquidity. Stocks must have three-month average daily trading value above a Liquidity Threshold as of the reference date of each year. The Liquidity Threshold is currently US$ 1 million for developed markets and US$ 500,000 for emerging markets.

Domicile and Location of Trading. The stocks must be trading on a developed market exchange.

Stocks meeting these criteria form the Investable Universe.

Index Construction. The S&P Global Infrastructure Index methodology employs a modified market capitalization-weighting scheme, using the divisor methodology used in most S&P equity indices. There are two steps in the creation of the index. The first is the selection of the 75 companies; the second is the weighting of the index constituents.

The selection of the S&P Global Infrastructure index constituents starts by classifying all stocks in the Investable Universe as being in one of the three clusters: Energy, Transportation or Utilities. Then 15 emerging market stocks are chosen based on the highest float-adjusted market capitalization of the parent company, with no more then 10 chosen for any one cluster. The remaining 60 stocks are the 60 largest developed market stocks, based on float-adjusted market capitalization. The developed market stocks are chosen such that there total 30 transportation, 30 utilities and 15 energy infrastructure companies in the index.

In the event of fewer than 75 qualifying stocks that meet the distribution criteria above, the largest companies from the Investable Universe, not already in the index, are added until the count reaches 75.

Constituent Weightings. The S&P Global Infrastructure index follows a modified capitalization-weighted scheme that reduces single stock concentration and balances exposure across the clusters. More specifically, a constituent's weight is based on a combination of its market capitalization and cluster weight, and then such weight is gradually reduced to a maximum of 5%. At rebalancing, the Utilities and Transportation Infrastructure Clusters have a weight of 40% each and the Energy Infrastructure cluster has a weight of 20%. No single stock has a weight of more than 5%.

Index Calculations. The index is calculated by means of the divisor methodology used in all S&P's equity indices. The index value is simply the index market value divided by the index divisor:

$$\text{Index Value} = \text{Index Market Value} / \text{Index Divisor} \quad (1)$$

To calculate a modified market cap weighted index, the Index Market Value for each stock used in the calculation of the index is redefined so that each index constituent has the appropriate user-defined weight in the index at each rebalancing date.

In order to maintain basket series continuity, it is also necessary to adjust the divisor at the rebalancing.

$$(\text{Index Value})_{\text{before rebalancing}} = (\text{Index Value})_{\text{after rebalancing}} \qquad (2)$$

Therefore,

$$(\text{Divisor})_{\text{after rebalancing}} = (\text{Index Value})_{\text{after rebalancing}} / (\text{Index Market Value})_{\text{before rebalancing}} \qquad (3)$$

Index Maintenance. Throughout the year, the market capitalization of the S&P Global Infrastructure Index constituent stocks varies. In order to maintain the maximum weight of 5% per constituent, the S&P Global Infrastructure Index must be rebalanced. Rebalancing occurs semi-annually after the closing of the last trading dates of March and September of each year when membership and initial constituent weights are set. There are no intra-year index additions, and intra-year deletions occur only because of delistings. Also at that time, the maximum weight applicable to the stocks may be changed depending upon market circumstances.

In order to obtain basket series continuity, it is also necessary to adjust the divisor at the rebalancing. The table below summaries the types of S&P Global Infrastructure Index maintenance adjustments and indicates whether or not a S&P Global Infrastructure Index Divisor adjustment is required:

Corporate Action	Adjustment made to index	Divisor Adjustment Required?
Spin-off	In general, both the parent company and spin-off companies will remain in the index until the next index rebalancing, regardless of whether they conform to the theme of the index. When there is no market-determined price available for the spin, the spin is added to the index at zero price at the close of the day before the ex-date.	No
Rights Offering	The price is adjusted to the Price of the Parent Company minus (the Price of the Rights Offering/Rights Ratio). Index Shares change so that the company's weight remains the same as its weight before the rights offering.	No
Stock Dividend, Stock Split, Reverse Stock Split	Index Shares are multiplied by and price is divided by the split factor.	No
Share Issuance, Share Repurchase, Equity Offering or Warrant Conversion	None.	No
Special Dividends	Price of the stock making the special dividend payment is reduced by the per share special dividend amount after the close of trading on the day before the dividend ex-date.	Yes
Constituent Change	There are no intra-rebalancing additions.	–
	Deletions due to delistings, acquisition or any other corporate event resulting in the deletion of the stock from the index will cause the weights of the rest of the stocks in the index to change. Relative weights will stay the same.	Yes

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S&P Latin America 40® Index

The S&P Latin America 40® Index (the "Latin America Index") is intended to be a measure of the Latin American economy. The index constituents are leading, large, liquid, blue chip companies from the Latin American markets, capturing 70% of their total market capitalization. Since September 21, 2009, the S&P Lac 40 is an index drawn from four major Latin American emerging markets – Brazil, Chile, Mexico and Perú. Prior to that date Argentina was also a component, but has since been reclassified as a frontier market by S&P. Prices for the Latin America Index are collected in local currencies and index values are released in U.S. dollars. The Latin America Index was developed by S&P and is calculated, maintained and published by S&P. The Latin America Index is maintained by the S&P Index Committee.

On November 4, 2011, McGraw-Hill, the owner of the S&P Indices business, and CME Group, the 90% owner of the CME Group and Dow Jones & Company, Inc. joint venture that owns the Dow Jones Indexes business, announced a new joint venture, S&P/Dow Jones Indices, which will own the S&P Indices business and the Dow Jones Indexes business, including the Latin America Index. McGraw-Hill and CME Group expect S&P/Dow Jones Indices to be operational in the first half of 2012, subject to regulatory approval and other conditions.

The Latin America Index includes the stocks that are among the largest in terms of market capitalization from companies located in Brazil, Chile, Mexico and Perú (the "Component Stocks"). A stock's domicile is determined based on criteria that include headquarters of the company, registration, listing of the stock, place of operations, and residence of the senior officers. A stock's weight in the Latin America Index is determined by the float-adjusted market capital of the stock. An investable weight factor ("IWF") is applied to each constituent's share count used for index calculation. Each company's IWF is adjusted for holdings by governments, corporations, strategic partners and other private individuals.

All common and preferred shares (of an equity and not a fixed income nature) are eligible for inclusion in the Latin America Index. Convertible stock, bonds, warrants, rights and preferred stock that provide a guaranteed fixed return are not eligible.

An index addition generally is made only if a vacancy is created by an index deletion. Index additions are made according to market size and liquidity, with a view to preserving regional, country, and sector representation in the index. An initial public offering (IPO) is added to the index only when an appropriate vacancy occurs and is subject to proven liquidity for at least six months. An exception may be made for extraordinary large global offerings where expected trading volume justifies inclusion.

Deletions can occur due to acquisitions, mergers and spin offs or due to bankruptcies or suspension. The latter is removed from the index at the best available price in the market. In some cases, stocks will be removed at $0.01 in recognition of constraints faced by investors in trading bankrupt or suspended stocks. Imposition of restrictive foreign investments in the sector or country within any of the countries will be handled expeditiously to allow investors to exit the sector or country in the least unfavorable manner.

The daily calculation of the Latin America Index is computed by dividing the total Market Value of the Component Stocks by a number called the "Index Divisor." The "Market Value" of any Component Stock is the product of the market price per share and the number of the then outstanding shares of such Component Stock. By itself, the Index Divisor is an arbitrary number. However, in the context of the calculation of the Latin America Index, it is the only link to the original base value of the Latin America Index. The Index Divisor keeps the Latin America Index comparable over time and is the manipulation point for all adjustments to the Latin America Index ("Index Maintenance"). Index Maintenance includes monitoring and completing the adjustments for company additions and deletions, share changes, stock splits, stock dividends, and stock price adjustments due to company restructurings or spinoffs.

All share changes of 5% and over are done at the effective date, or as soon as reliable information is available. Changes of less than 5% are applied on the third Friday of March, June, September and December. Similarly, changes reflecting float adjustment are applied if they cause a capitalization change of 5% or over. Changes of less than this are applied at the annual review in December.

Changes in the Latin America Index value reflect changes in the total market capitalization of the Latin America Index that are caused by price movements in the market. They do not reflect changes in the market capitalization of the index, or of the individual stocks, that are caused by corporate actions such as dividend payments, stock splits, distributions to shareholders, mergers or acquisitions.

To prevent the value of the Latin America Index from changing due to corporate actions, all corporate actions which affect the total Market Value of the Latin America Index require an Index Divisor adjustment. By adjusting the Latin America Index Divisor for the change in total Market Value, the value of the Latin America Index remains constant. This helps maintain the value of the Latin America Index as an accurate barometer of stock market performance and ensures that the movement of the Latin America Index does not reflect the corporate actions of individual companies in the Latin America Index. All Index Divisor adjustments are made after the close of trading and after the calculation of the closing value of the Latin America Index. Some corporate actions, such as stock splits and stock dividends, require simple changes in the common shares outstanding and the stock prices of the companies in the Latin America Index and do not require Index Divisor adjustments.

The table below summarizes the types of Index Maintenance adjustments and indicates whether or not an Index Divisor adjustment is required.

Type of Corporate Action	Comment	Divisor Adjustment Required
Company Added/Deleted	Net change in market value determines the divisor adjustment	Yes
Change in Shares Outstanding	Any combination of secondary issuance, share repurchase or buy back – share counts revised to reflect change.	Yes
Stock Split	Share count revised to reflect new count. Divisor adjustment is not required since the share count and price changes are offsetting.	No
Spin-off	If the spun-off company is not being added to the index, the divisor adjustment reflects the decline in index market value (i.e., the value of the spun-off unit).	Yes
Spin-off	Spun-off company added to the index, no company removed from the index.	No
Spin-off	Spun-off company added to the index, another company removed to keep number of names fixed. Divisor adjustment reflects deletion.	Yes
Change in Investable Weight Factor (IWF)	Increasing (decreasing) the IWF increases (decreases) the total market value of the index. The divisor change reflects the change in market value caused by the change to an IWF.	Yes
Special Dividends	When a company pays a special dividend the share price is assumed to drop by the amount of the dividend; the divisor adjustment reflects this drop in index market value.	Yes
Rights Offering	Each shareholder receives the right to buy a proportional number of additional shares at a set (often discounted) price. The calculation assumes that the offering is fully subscribed. Divisor adjustment reflects increase in market	Yes

cap measured as the shares issued multiplied by the price paid.

Stock splits and stock dividends do not affect the Index Divisor of the Index, because following a split or dividend both the stock price and number of shares outstanding are adjusted by S&P so that there is no change in the Market Value of the Component Stock. Corporate actions (such as stock splits, stock dividends, spin-offs and rights offerings) are implemented after the close of trading on the day prior to the ex-date. Share changes resulting from exchange offers are made on the ex-date.

Each of the corporate events exemplified in the table requiring an adjustment to the Index Divisor has the effect of altering the Market Value of the Component Stock and consequently of altering the aggregate Market Value of the Component Stocks (the "Post-Event Aggregate Market Value"). In order that the level of the Index (the "Pre-Event Index Value") not be affected by the altered Market Value (whether increase or decrease) of the affected Component Stock, a new Index Divisor ("New Divisor") is derived as follows:

$$\frac{\text{Post-Event Aggregate Market Value}}{\text{New Divisor}} = \text{Pre-Event Index Value}$$

$$\text{New Divisor} = \frac{\text{Post-Event Aggregate Market Value}}{\text{Pre-Event Index Value}}$$

A large part of the Index Maintenance process involves tracking the changes in the number of shares outstanding of each of the Index companies. Changes in a company's total shares outstanding of 5% or more due to public offerings, tender offers, Dutch auctions or exchange offers are made as soon as reasonably possible. Other changes of 5% or more are made weekly, and are announced on Wednesdays for implementation after the close of trading the following Wednesday (one week later). All other changes of less than 5% are accumulated and made quarterly on the third Friday of March, June, September, and December when the share totals of companies in the S&P Latin America 40 Index are updated as required by any changes in the number of shares outstanding. After the totals are updated, the S&P America Latin 40 Index Divisor is adjusted to compensate for the net change in the total Market Value of the S&P America Latin 40 Index.

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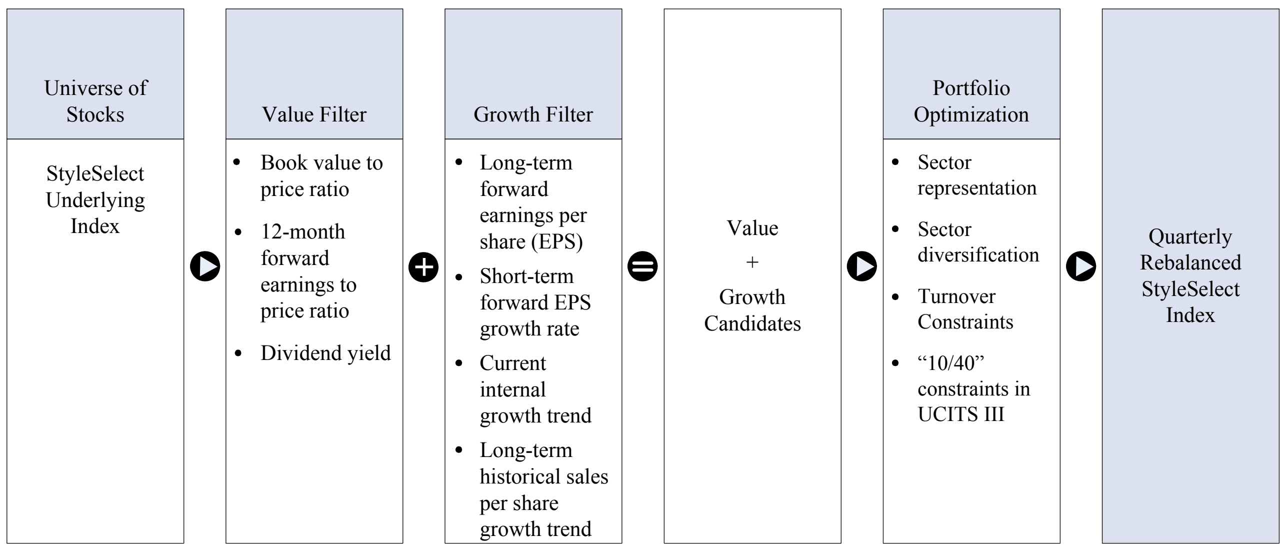
StyleSelect Indices

The StyleSelect Indices are custom indices modeled by MS & Co.'s Quantitative and Derivative Strategies group and calculated by MSCI Inc. ("MSCI"). MSCI applies Morgan Stanley's quantitative model to the StyleSelect underlying indices to calculate the StyleSelect Indices. A StyleSelect Index consists of particular stocks selected from the component stocks of the applicable StyleSelect underlying index through an objective quantitative selection process developed by MS & Co. that is intended to identify companies that combine strong growth and value characteristics using the pre-defined set of financial criteria described below. The following chart illustrates the StyleSelect Index selection process:



Source

For more information regarding the StyleSelect underlying indices, please see the appropriate underlying index disclosure in the relevant section of this index supplement or the applicable pricing supplement, as applicable.

The StyleSelect Indices are rebalanced quarterly based upon changes in the growth and value characteristics of current component stocks in each such StyleSelect Index and potential additional component stocks to be selected from the applicable StyleSelect underlying index, as determined by the quantitative selection process and upon changes in the overall composition of such StyleSelect underlying index. The StyleSelect Indices are calculated and published daily by MSCI.

Index Selection – Value Characteristics and Growth Characteristics.

Value Characteristics. In order to measure the value characteristics of a particular stock, MSCI calculates a quantifiable score, known as the "Aggregate Value Z-Score", which represents the combined average of three separate financial measures for a company as compared to the same financial measures of other companies incorporated and primarily listed, subject to certain limited exceptions, in the same country. Derived from publicly available information, these financial measures for value characteristics are as follows.

– Book value to price ratio

Book value is the value of the company's assets as shown on its financial statements, which often differs from the market value of the company as reflected in its stock price. A high ratio may indicate a stock that is undervalued as the stock price may not fully reflect the value of the underlying assets, but could also indicate lackluster growth and/or profitability prospects.

– Twelve-month forward earnings to price ratio

This financial measure compares the expected earnings of a company over the next twelve months derived from consensus analysts' earnings estimates to the company's current stock price. A high ratio may indicate that a company's stock price does not fully reflect future expected earnings growth, but could also mean that its earnings are volatile and therefore less valuable.

– Dividend yield

Dividend yield compares the amount of dividends paid by a company (as represented by the current annualized dividend per share) to its stock price. A high dividend yield may mean that the company's stock price does not fully reflect the returns an investor may receive in the form of dividend distributions, but could also mean that the company is reinvesting less of its earnings than companies with a low dividend yield and, as a result, may be expected to grow earnings at a lower rate.

MSCI compares these financial measures for a particular stock to all the other companies in the applicable StyleSelect underlying index that are incorporated in the same country as that company to calculate how statistically close the company is to the average company in that country for that particular financial measure. These country-specific financial measure comparisons are averaged together on the basis of proprietary weightings to reach the Aggregate Value Z-Score. Stocks with higher Aggregate Value Z-Scores are generally selected for inclusion in the StyleSelect Indices over stocks with lower Aggregate Value Z-Scores.

Growth Characteristics. Similarly, in order to measure the growth characteristics of a particular stock, MSCI calculates a second quantifiable score, known as the "Aggregate Growth Z-Score." The Aggregate Growth Z-Score is calculated on the same basis as the Aggregate Value Z-Score, except that it uses the following five financial measures, each derived from public information:

– Long-term forward earnings per share growth rate

Expected earnings per share growth rate over the next three to five years derived from consensus analysts' earnings growth rate estimates is a key measure of anticipated earnings growth. Since this financial measure is based on expectations of future earnings growth that may not be realized, this financial measure, while key, is not the sole determinant used to select a growth stock.

– Short-term forward earnings per share growth rate

Together with the long-term forward earnings per share growth rate, the short-term forward earnings per share growth rate, which is the growth rate between the 12-month historical earnings per share and the 12-month forward earnings per share, is often used to determine the growth potential of a company.

– Current internal growth rate

Combining return on equity ratio with the payout ratio (which is the current annualized dividend per share divided by the 12-month historical earnings per share), this financial measure compares earnings as a percentage of the equity invested in the company with the amount of dividends distributed by the company. A high return on equity and a low payout ratio produce a high internal growth rate, identifying companies that may be efficiently generating and reinvesting earnings and may therefore grow at a higher rate than a company distributing a larger portion of its earnings in dividends.

– Long-term historical earnings per share growth trend

This measure analyzes a company's growth in earnings in past fiscal periods.

– Long-term historical sales per share growth trend

This measure analyzes a company's growth in revenues in past fiscal periods.

These financial measures are averaged together on the basis of proprietary weightings to reach the Aggregate Growth Z-Score. Stocks with higher Aggregate Growth Z-Scores are generally selected for inclusion in the StyleSelect Indices over stocks with lower Aggregate Growth Z-Scores.

Original Selection of Component Stocks of the StyleSelect Indices.

1. Quantitative Filter – The component stocks of a StyleSelect underlying index were selected for initial inclusion in the applicable StyleSelect Index if both their Aggregate Value Z-Scores and Aggregate Growth Z-Scores were within certain specified upper and lower value limits. The quantitative parameters, which acted as a fixed zone for filtering candidate stocks, were designed by MS & Co.'s Quantitative Derivative Strategies group to identify stocks that advantageously combined value and growth characteristics.

2. Industry Sector Representation – After determining the stocks that met the quantitative parameters above, the selection process ensured that the StyleSelect Indices contained at least three stocks from each industry sector in the applicable StyleSelect underlying index. If an industry sector contained less than three stocks meeting the quantitative parameters, the StyleSelect Indices included stocks that failed to meet these parameters in the order of highest Aggregate Value Z-Score within each industry sector until the minimum of three stocks per industry sector was satisfied. The StyleSelect Indices apply this industry sector representation in its quarterly rebalancing described below.

3. Sector Weight – The StyleSelect Indices were designed to approximately match the industry sector weights of the applicable StyleSelect underlying index, including adjustments, if applicable, to reflect the approximate number of shares actually available for purchase in the public equity markets by international investors in light of potential limitations imposed by strategic or government ownership of a company or foreign stock ownership limits in a particular country. Accordingly, the weights of all component stocks of a StyleSelect Index in a particular sector were increased or decreased proportionately until the sector weights of such StyleSelect Index matched those of the applicable StyleSelect underlying index. The StyleSelect Indices apply this sector weighting methodology to its quarterly rebalancing described below.

4. 10/40 Concentration Constraints in UCITS III – A StyleSelect Index takes into consideration the 10% and 40% concentration constraints of the Undertakings for Collective Investment in Transferable Securities III Directive ("UCITS III"), which are a set of European Union regulations designed to regulate the management of investment funds. Under the 10% and 40% concentration constraints, the weight given to securities of any single issuer cannot exceed 10% of the total assets of an investment fund and the sum of the weights of all issuers representing more than 5% of the assets of an investment fund cannot collectively exceed 40% of the total assets of such investment fund. The relevant StyleSelect Index would be designed and maintained to comply with these 10% and 40% concentration constraints.

Maintenance of the StyleSelect Index. The StyleSelect Indices are rebalanced quarterly (i) to maintain a specified level of value and growth characteristics in the component stocks of each StyleSelect Index by reflecting changes in the Aggregate Value Z-Scores and Growth Z-Scores of component and candidate stocks, while taking into account the specified diversification criteria, and (ii) to reflect the results of MSCI's annual index review and three quarterly index reviews of the applicable StyleSelect underlying index from which the relevant StyleSelect Index component stocks are selected. This quarterly review process is designed to ensure that each StyleSelect Index continues to be an accurate reflection of stocks that combine growth and value characteristics in the evolving equity markets that the applicable StyleSelect underlying index aims to reflect.

1. Rebalancing due to Z-Scores.

A. Quantitative Stock Selection – At the quarterly rebalancing, which occur each February, May, August and November, Z-Scores are used to identify component stocks of each StyleSelect underlying index that could potentially be added to or removed from the relevant StyleSelect Index on the basis of objective quantitative criteria that differs from those used for the original selection of stocks for such StyleSelect Index in that higher Z-Scores are necessary to add a stock to such StyleSelect Index compared to the original selection criteria, while component stocks of such StyleSelect Index will remain in such StyleSelect Index unless they go below the specified removal thresholds, which are lower than the original minimum Z-Score requirements. These rebalancing thresholds are designed to help control turnover in the component stocks in an effort to maintain continuity and historical comparability of the StyleSelect Indices.

B. Industry Sector Representation – After identifying stocks that meet the quantitative stock selection thresholds above, the industry sector representation requirement, as described under "—Original Selection of Component Stocks of the StyleSelect Indices," is applied so that at least three stocks from each industry sector are included in the StyleSelect Indices.

If the minimum of three stocks per sector cannot be maintained due to corporate events or other reasons that lead to the removal of such stocks from the applicable StyleSelect underlying index, no action is taken until the next regularly scheduled quarterly rebalancing.

C. Sector Weight – At each quarterly rebalancing, the sector weighting methodology as described under "—Original Selection of Component Stocks of the StyleSelect Indices" is applied to approximate the sector weights of the StyleSelect underlying indices. Because the weights of all component stocks of a StyleSelect Index in a particular sector are increased or decreased proportionately until the sector weights of such StyleSelect Index match those of the applicable StyleSelect underlying index, the weights of the individual component stocks of such StyleSelect Index from a particular sector could differ from the weights of those stocks in the applicable StyleSelect underlying index.

D. 10/40 Concentration Constraints in UCITS III – To take into account the 10% and 40% concentration constraints of UCITS III, which are described under "—Original Selection of Component Stocks of the StyleSelect Indices," a StyleSelect Index is adjusted as necessary if such StyleSelect Index would have otherwise breached these concentration constraints due to the addition or removal of a stock or as a result of corporate events or the stock price performance of the component stocks. These adjustments may cause the sector weights of such StyleSelect Index to diverge from the sector weights of the applicable StyleSelect underlying index.

2. Rebalancing of the StyleSelect Indices due to ongoing maintenance of the StyleSelect underlying indices.

Annual and Quarterly StyleSelect Underlying Index Reviews – Each year, the StyleSelect underlying indices complete an annual index review and three quarterly index reviews of the composition of component stocks in such StyleSelect underlying indices and any changes to such StyleSelect underlying indices take effect as of the close of the last business day of February, May, August, and November. Because the component stocks of a StyleSelect Index are selected only from the applicable StyleSelect underlying index, such StyleSelect Index reflects the relevant changes in the composition of the applicable StyleSelect underlying index. A stock removed from the applicable StyleSelect underlying index is also removed from the StyleSelect Index on the same day that the stock is removed from such StyleSelect underlying index. A stock newly added to the applicable StyleSelect underlying index is not considered for addition to the StyleSelect Index until the next StyleSelect Index quarterly rebalancing so that the stock's Aggregate Value Z-Score and the Aggregate Growth Z-Score can be calculated and analyzed to determine if the stock should be included in accordance with the StyleSelect Index's quantitative criteria.

Ongoing Event-Related Changes to the StyleSelect Underlying Indices – In addition to the annual and quarterly index reviews, MSCI reviews and updates the composition of the StyleSelect underlying indices on a periodic basis to take into account certain corporate events, such as mergers and acquisitions. The same changes implemented in the StyleSelect underlying indices are reflected in the StyleSelect Indices at the time of such event through price adjustments of the affected stocks or otherwise, and all changes to the StyleSelect underlying indices resulting from corporate events are announced prior to their implementation, provided that all necessary information on the event is available.

Currency and Hedging. A StyleSelect Index may be calculated, as specified in the applicable pricing supplement, by using the closing prices of the component stocks of such StyleSelect Index as converted into a specified base currency, and currency exposures may not be hedged. In such event, the StyleSelect Index calculated in local currencies would be exposed to currency exchange rate fluctuations between the relevant local currencies and the specified base currency. Because the closing prices of the component stocks denominated in local currencies are converted into the specified base currency for purposes of calculating the value of the StyleSelect Index, investors in the securities will be exposed to currency exchange rate risk between the specified base currency and the local currencies in which the component stocks trade. Exposure to currency changes will depend on the extent to which such local currencies strengthen or weaken against the specified base currency and the relative weight of the component stocks denominated in such local currencies in the StyleSelect Index. The devaluation of the specified base currency against the local currencies will result in an increase in the value of the StyleSelect Index, in the absence of other factors affecting the value of the StyleSelect Index. Conversely, if the specified base currency strengthens against these currencies, the value of the StyleSelect Index will be adversely affected and may reduce or eliminate any return on your investment. If currency exchange risk is applicable, fluctuations in currency exchange rates can have a continuing impact on the value of a StyleSelect Index, and any negative currency impact on such StyleSelect Index may significantly decrease the value of the securities. Accordingly, if applicable, the return on a StyleSelect Index calculated in the specified base currency can be significantly different from the return on such index calculated in local currencies.

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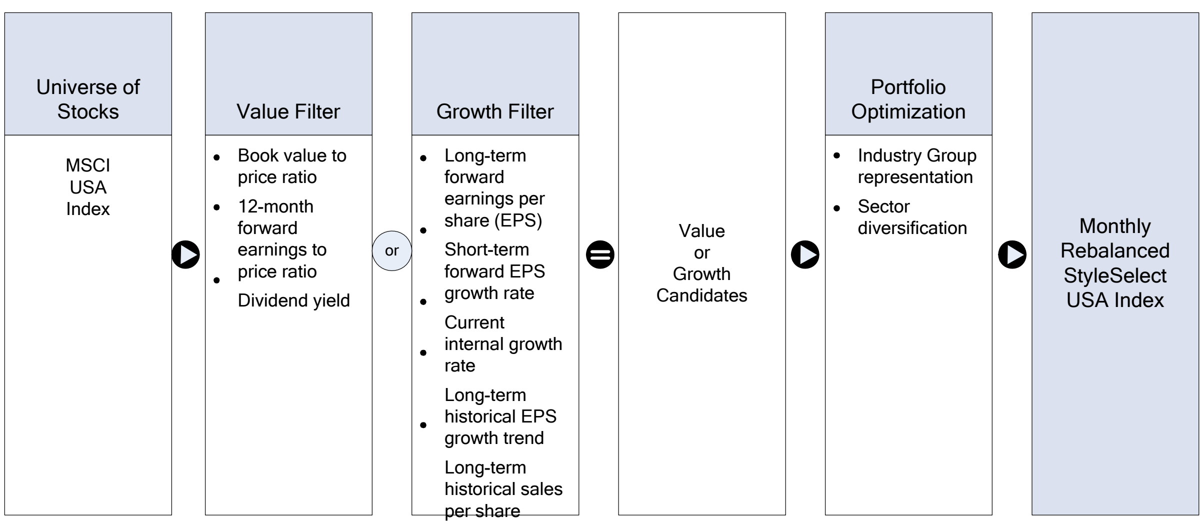
MSCI designed the StyleSelect underlying indices and the guidelines and policies governing its composition and calculation. MS & Co.'s Quantitative Derivative Strategies group designed the methodology for calculating the StyleSelect Indices. MSCI® is a registered trademark and service mark of MSCI.

The information contained in this index supplement or the applicable pricing supplement regarding the StyleSelect underlying index reflects the policies of, and is subject to change by, MSCI. MSCI has no obligation to continue to calculate or publish, and may discontinue calculation or publication of, the StyleSelect Index or the StyleSelect underlying index.

StyleSelect USA Index

The StyleSelect USA Index is a custom index modeled by MS & Co.'s Quantitative and Derivative Strategies group and calculated by MSCI Inc. ("MSCI"). MSCI applies MS & Co.'s quantitative model to the MSCI USA Index to calculate the StyleSelect USA Index.

The StyleSelect USA Index consists of particular stocks selected from the component stocks of the MSCI USA Index through an objective quantitative selection process developed by MS & Co. that is intended to identify US companies that combine strong growth OR value characteristics using the pre-defined set of financial criteria described below. The following chart illustrates the StyleSelect USA Index selection process:



Source: MS & Co.'s Quantitative and Derivative Strategies Group, MSCI.

The MSCI USA Index, from which stocks included in the StyleSelect USA Index are selected, is intended to provide performance benchmarks for the equity markets in the United States of America. The MSCI USA Index is a free float-adjusted market capitalization index, which adjusts the weighting of each stock in the index to reflect the approximate number of shares actually available for purchase in the public equity markets by international investors in light of potential limitations imposed by strategic or government ownership of a company or foreign stock ownership limits in the USA. The StyleSelect USA Index uses the same free-float adjusted market capitalization methodology as the MSCI USA Index. For more information regarding the MSCI USA Index generally and the methodology for calculating free float-adjusted market capitalization, please see above "—MSCI USA Index," "—MSCI USA Index—Index Calculation" and "—MSCI USA Index—Selection of Component Stocks and Calculating and Adjusting for Free Float," respectively. The StyleSelect USA Index is a price return index, which measures only the market stock price performance of its component stocks (and excludes dividends on the component stocks).

The StyleSelect USA Index was first published on June 8, 2007 with the base date of July 3, 2003 and a base value of 1,000 and is rebalanced monthly based upon changes in the growth and value characteristics of current component stocks in the StyleSelect USA Index and potential additional component stocks to be selected from the MSCI USA Index, as determined by the quantitative selection process and upon changes in the overall composition of the MSCI USA Index. Both the StyleSelect USA Index and the MSCI USA Index are calculated and published daily by MSCI.

Index Selection – Value Characteristics and Growth Characteristics

Value Characteristics. In order to measure the value characteristics of a particular stock, MSCI calculates a quantifiable score, known as the "Aggregate Value Z-Score," which represents the combined average of three separate financial measures for a company as compared to the same financial measures of other companies in the MSCI USA Index. Derived from publicly available information, these financial measures for value characteristics are as follows.

– Book value to price ratio

Book value is the value of the company's assets as shown on its financial statements, which often differs from the market value of the company as reflected in its stock price. A high ratio may indicate a stock that is undervalued as the stock price may not fully reflect the value of the underlying assets, but could also indicate lackluster growth and/or profitability prospects.

– Twelve-month forward earnings to price ratio

This financial measure compares the expected earnings of a company over the next twelve months derived from consensus analysts' earnings estimates to the company's current stock price. A high ratio may indicate that a company's stock price does not fully reflect future expected earnings growth, but could also mean that its earnings are volatile and therefore less valuable.

– Dividend yield

Dividend yield compares the amount of dividends paid by a company (as represented by the current annualized dividend per share) to its stock price. A high dividend yield may mean that the company's stock price does not fully reflect the returns an investor may receive in the form of dividend distributions, but could also mean that the company is reinvesting less of its earnings than companies with a low dividend yield and, as a result, may be expected to grow earnings at a lower rate.

MSCI compares these financial measures for a particular stock to all the other companies in the MSCI USA Index to calculate how statistically close the company is to the average company in the MSCI USA Index for that particular financial measure. These financial measure comparisons are averaged together on the basis of proprietary weightings to reach the Aggregate Value Z-Score. Stocks with Aggregate Value Z-Scores above a certain level are included in the StyleSelect USA Index.

Growth Characteristics. Similarly, in order to measure the growth characteristics of a particular stock, MSCI calculates a second quantifiable score, known as the "Aggregate Growth Z-Score." The Aggregate Growth Z-Score is calculated on the same basis as the Aggregate Value Z-Score, except that it uses the following five financial measures, each derived from public information:

– Long-term forward earnings per share growth rate

Expected earnings per share growth rate over the next three to five years derived from consensus analysts' earnings growth rate estimates is a key measure of anticipated earnings growth. Since this financial measure is based on expectations of future earnings growth that may not be realized, this financial measure, while key, is not the sole determinant used to select a growth stock.

– Short-term forward earnings per share growth rate

Together with the long-term forward earnings per share growth rate, the short-term forward earnings per share growth rate, which is the growth rate between the 12-month historical earnings per share and the 12-month forward earnings per share, is often used to determine the growth potential of a company.

– Current internal growth rate

Combining return on equity ratio with the payout ratio (which is the current annualized dividend per share divided by the 12-month historical earnings per share), this financial measure compares earnings as a percentage of the equity invested in the company with the amount of dividends distributed by the company. A high return on equity and a low payout ratio produce a high internal growth rate, identifying companies that may be efficiently generating and reinvesting earnings and may therefore grow at a higher rate than a company distributing a larger portion of its earnings in dividends.

– Long-term historical earnings per share growth trend

This measure analyzes a company's growth in earnings in past fiscal periods.

– Long-term historical sales per share growth trend

This measure analyzes a company's growth in revenues in past fiscal periods.

These financial measures are averaged together on the basis of proprietary weightings to reach the Aggregate Growth Z-Score. Stocks with Aggregate Growth Z-Scores above a certain level are included in the StyleSelect USA Index.

Original Selection of Component Stocks of the StyleSelect USA Index

1. Quantitative Filter – The component stocks of the MSCI USA Index were included in the StyleSelect USA Index if their Aggregate Value Z-Scores OR their Aggregate Growth Z-Scores were above certain specified lower value limits. The quantitative parameters, which acted as a fixed zone for excluding certain candidate stocks, were designed by MS & Co.'s Quantitative Derivative Strategies group to identify stocks that demonstrated advantageous value or growth characteristics.

2. Industry Group Representation – After eliminating the stocks that did not meet the quantitative parameters above, the selection process ensured that the StyleSelect USA Index contained at least one stock from each Industry Group, as defined by the MSCI and S&P Global Industry Classification Standard (GICS) in the MSCI USA Index. If an Industry Group contained less than one stock meeting the quantitative parameters, the StyleSelect USA Index included stocks that failed to meet either the value or growth parameters in the order of highest Aggregate Value Z-Score within each Industry Group until the minimum of one stock per Industry Group was satisfied. The StyleSelect USA Index applies this Industry Group representation in its monthly rebalancing described below.

3. Industry Group Weightings – The StyleSelect USA Index was designed to approximately match the Industry Group weights of the MSCI USA Index, including the adjustments to reflect the approximate number of shares actually available for purchase in the public equity markets by international investors in light of potential limitations imposed by strategic or government ownership of a company or foreign stock ownership limits in the United States as described in "—MSCI USA Index—Index Calculation" and "—MSCI USA Index—Selection of Component Stocks and Calculating and Adjusting for Free Float." Accordingly, the weights of all component stocks of the StyleSelect USA Index in a particular Industry Group were increased or decreased by an equal amount until the Industry Group weights of the StyleSelect USA Index matched those of the MSCI USA Index. The StyleSelect USA Index applies this Industry Group weighting methodology to its monthly rebalancing described below.

Maintenance of the StyleSelect USA Index

The StyleSelect USA Index is rebalanced monthly (i) to maintain a specified level of value and growth characteristics in the component stocks of the StyleSelect USA Index by reflecting changes in the Aggregate Value Z-Scores and Growth Z-Scores of component and candidate stocks, while taking into account the specified diversification criteria, and (ii) to reflect the results of MSCI's annual index review and three quarterly index reviews of the MSCI USA Index from which the StyleSelect USA Index component stocks are selected. This review process is designed to ensure that the StyleSelect USA Index continues to be an accurate reflection of the evolving equity markets in the USA for stocks that combine growth and value characteristics.

1. Rebalancing due to Z-Scores.

A. Quantitative Stock Selection – On the first business day of each month following the publication of the previous month's Z-Scores, component stocks of the MSCI USA Index are identified whose Growth or Value Z-Scores exceed the respective minimum thresholds for inclusion in the StyleSelect USA Index.

B. Industry Group Representation – After identifying stocks that meet the quantitative stock selection thresholds above, the Industry Group representation requirement, as described under "—Original Selection of Component Stocks of the StyleSelect USA Index," is applied so that at least one stock from each Industry Group is included in the StyleSelect USA Index.

If the minimum of one stock per Industry Group cannot be maintained due to corporate events or other reasons that lead to the removal of such stocks from the MSCI USA Index, no action is taken until the next regularly scheduled monthly rebalancing.

C. Constraining Factors and Excess Equal Weightings – Once any additions or deletions to the StyleSelect USA Index have been determined, Constraining Factors are re-calculated for the resulting securities in order to achieve neutrality of Industry Group weights and Excess Equal Weighting of securities within their respective Industry Group as compared to the MSCI USA Index.

2. Rebalancing of the StyleSelect USA Index due to ongoing maintenance of the MSCI USA Index.

Annual and Quarterly MSCI USA Index Reviews – Each year, the MSCI USA Index completes an annual index review and three quarterly index reviews of the composition of component stocks in the MSCI USA Index and any changes to the MSCI USA Index take effect as of the close of the last business day of February, May, August, and November. See "—MSCI USA Index—Maintenance of the MSCI USA Index." Because the component stocks of the StyleSelect USA Index are selected only from the MSCI USA Index, the StyleSelect USA Index reflects the relevant changes in the composition of the MSCI USA Index. A stock removed from the MSCI USA Index is also removed from the StyleSelect USA Index on the same day that the stock is removed from the MSCI USA Index. A stock newly added to the MSCI USA Index is not considered for addition to the StyleSelect USA Index until the next StyleSelect USA Index monthly rebalancing so that the stock's Aggregate Value Z-Score and the Aggregate Growth Z-Score can be calculated and analyzed to determine if the stock should be included in accordance with the StyleSelect USA Index's quantitative criteria.

Ongoing Event-Related Changes to the MSCI USA Index – In addition to the annual and quarterly index reviews, MSCI reviews and updates the composition of the MSCI USA Index on a periodic basis to take into account certain corporate events, such as such as mergers and acquisitions. See "—MSCI USA Index—Maintenance of the MSCI USA Index." The same changes implemented in the MSCI USA Index are reflected in the StyleSelect USA Index at the time of such event through price adjustments of the affected stocks or otherwise. All changes to the MSCI USA Index resulting from corporate events are announced prior to their implementation, provided that all necessary information on the event is available.

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Swiss Market Index

The Swiss Market Index, which we refer to as the SMI, was introduced on June 30, 1988 with a baseline value of 1500 points at that date. The SMI is updated in real time after each transaction.

Composition and Maintenance. The SMI is comprised of the 20 largest, most liquid equities of the Swiss Performance Index ("SPI"). The SMI stocks are weighted within the SMI according to their free float market capitalization, and the SMI contains about 85% of the free float market capitalization of the Swiss equity market.

The composition of SMI is reviewed annually, and in order to ensure a high degree of continuity in the composition of the SMI, the component stocks are subject to a special procedure for adding them to the SMI or removing them based on free float market capitalization and liquidity. The resulting adjustments to the index are made regularly once a year.

Admission to and exclusion from the index composition will be made once a year after prior notice of at least two months on the third Friday in September after close of trading. The number of securities and free-float shares are adjusted on two ordinary adjustment dates a year: the third Friday in March (after close of trading) and the third Friday in September (after close of trading).

Index Calculation. The SMI is calculated according to the Laspeyres formula using a weighted arithmetic mean of a defined selection of securities. The current index level is calculated by dividing the sum of the market capitalizations of the securities contained in the index by the divisor.

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Tokyo Stock Price Index

The Tokyo Stock Price Index (the "TOPIX Index®") is published by Tokyo Stock Exchange, Inc. ("TSE"). The TOPIX Index was developed by the TSE. Publication of the TOPIX Index began on July 1, 1969, based on a base index value of 100 as of January 4, 1968. The TOPIX Index is computed and published every second via TSE's Market Information System, and is reported to securities companies across Japan and available worldwide through computerized information networks.

The component stocks of the TOPIX Index consist of all domestic common stocks listed on the First Section of the TSE. The TOPIX Index measures changes in the aggregate market value of these stocks. The TSE domestic stock market is divided into two sections: the First Section and the Second Section. Listings of stocks on the TSE are divided between these two sections, with stocks listed on the First Section typically being limited to larger, longer established and more actively traded issues and the Second Section to smaller and newly listed companies. The component stocks of the TOPIX Index are determined based on market capitalization and liquidity. Review and selection of component stocks is conducted semiannually, based on market data as of the base date for selection.

The TOPIX Index is a free float adjusted market capitalization weighted index, with the market price of each component stock multiplied by the number of shares listed (as adjusted by multiplying the Free-Float Weight ("FFW") to take into account only the listed shares deemed to be available for trading in the market). The TSE is responsible for calculating and maintaining the TOPIX Index, and can add, delete or substitute the stocks underlying the TOPIX Index or make other methodological changes that could change the value of the TOPIX Index. The underlying stocks may be removed, if necessary, in accordance with deletion/addition rules which provide generally for the deletion of a stock from the TOPIX Index if such stock ceases to meet the criteria for inclusion. Stocks listed on the Second Section of the TSE may be transferred to the First Section if they satisfy applicable criteria. Such criteria include average monthly trading volume, among others. Similarly, when a First Section stock falls within the coverage of TSE rules prescribing reassignment thereof to the Second Section, such stock will be removed from the First Section.

The TOPIX Index is not expressed in Japanese Yen, but is presented in terms of points (as a decimal figure) rounded off to the nearest one-hundredth. The TOPIX Index is calculated by multiplying 100 by the figure obtained by dividing the current free-float adjusted market value (the current market price per share at the time of the index calculation multiplied by the number of common shares listed on the First Section of the TSE at the same instance (as adjusted by multiplying the FFW)) (the "TOPIX Current Market Value") by the base market value (i.e., the TOPIX Current Market Value on the base date) (the "TOPIX Base Market Value").

The calculation of the TOPIX Index can be represented by the following formula:

$$\text{TOPIX Index} = \frac{\text{TOPIX Current Market Value}}{\text{TOPIX Base Market Value}} \times 100$$

In order to maintain continuity, the TOPIX Base Market Value is adjusted from time to time to ensure that it reflects only price movements resulting from auction market activity, and to eliminate the effects of other factors and prevent any instantaneous change or discontinuity in the level of the TOPIX Index. Such factors include, without limitation: new listings; delistings; new share issues either through public offerings or through rights offerings to shareholders; issuance of shares as a consequence of exercise of convertible bonds or warrants; and transfer of listed securities from the First Section to the Second Section of the TSE.

The formula for the adjustment is as follows:

$$\frac{\text{Adjusted Market Value on Adjustment Date}}{\text{TOPIX Base Market Value before adjustment}} = \frac{(\text{Adjusted Market Value on Adjustment Date} \pm \text{Adjustment Amount})}{\text{TOPIX Base Market Value after adjustment}}$$

Where, adjustment amount is equal to the changes in the number of shares included in the calculation of the index *multiplied* by the price of those shares used for the purposes of the adjustment.

Therefore,

$$\text{New TOPIX Base Market Value} = \frac{\text{Old TOPIX Base Market Value} \times (\text{Adjusted Market Value on Adjustment Date} \pm \text{Adjustment Amount})}{\text{Adjusted Market Value on Adjustment Date}}$$

The TOPIX Base Market Value remains at the new value until a further adjustment is necessary as a result of another change. As a result of such change affecting the TOPIX Current Market Value or any stock underlying the TOPIX Index, the TOPIX Base Market Value is adjusted in such a way that the new value of the TOPIX Index will equal the level of the TOPIX Index immediately prior to such change.

No adjustment is made to the TOPIX Base Market Value, however, in the case of events such as stock splits or decreases in capital without compensation, which theoretically do not affect market value.

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WilderHill Clean Energy Index

The WilderHill Clean Energy Index (the "Clean Energy Index") is a modified equal dollar weighted index comprised of publicly traded companies whose businesses may benefit from a transition toward the use of cleaner energy and conservation. The Clean Energy Index is rebalanced each March, June, September and December. The Clean Energy Index divisor was initially determined to yield a benchmark value of 100.00 at the close of trading December 30, 2002. The Clean Energy Index was created by and is a trademark of Wildershares, LLC, the index provider.

Index Construction

(1) The Clean Energy Index uses modified equal dollar weighting. No single stock may exceed 4% of the total index weight at the quarterly rebalancing.

(2) For a stock to be included in the selection universe, a company must be identified as one which has a significant exposure to clean energy, or contribute to the advancement of clean energy or be important to the development of clean energy.

- Companies in the Clean Energy Index generally (i) help prevent pollutants such as carbon dioxide, nitrous oxide, sulfur oxide or particulates, and avoid carbon or contaminants that harm oceans, land, air or ecosystems structure, (ii) work to further renewable energy efforts and do so in ecologically and economically sensible ways and (iii) incorporate precautionary principles into their pollution prevention and clean energy efforts.

- Companies composing the Clean Energy Index generally will not have their most significant interests in the highest-carbon fuels: oil or coal.

- Large companies with interests outside clean energy may be included if they are significant to this sector.

(3) Market capitalization for the majority of the stocks constituting the Clean Energy Index is $200 million and above. To account for notable but smaller companies sometimes significant to the clean energy field, a minority of the stocks constituting the Clean Energy Index may have market capitalizations between $50 million and $200 million.

(4) Stocks in the Clean Energy Index generally follow these guidelines:

- have three-month average market capitalization of at least $50 million;

- have a three-month average closing price above $1.00;

- be listed on a major U.S. exchange such as the New York Stock Exchange, NYSE Alternext US LLC or The NASDAQ Stock Market and if a foreign company have their American Depository Receipts listed on one of these exchanges;

- reach minimum average daily liquidity requirements for sufficient trade volume.

Calculation Methodology

The Index is calculated using a modified equal dollar weighting methodology. Component securities and weights are determined by their respective sector (as set out below) and size. Each sector is assigned an aggregate weight within the Clean Energy Index. Component companies with less than $200 million in total market capitalization are set to one-half of a percent (0.5%). The remaining components in each sector are equally weighted by using the sector weightings minus the sum of the weights of those companies with less than $200 million in market capitalization. Sector weightings were initially determined by the index provider and are reviewed each quarter in conjunction with the scheduled quarterly review of the

Clean Energy Index. The component's weighting cannot exceed four percent (4%) of the Clean Energy Index at the time of each quarterly rebalancing.

Prior to September 2006, the Clean Energy Index was calculated such that all index components within a sector were equally weighted (i.e. the Clean Energy Index prior to September 2006 did not have a minimum 0.5% weighting for components with less than $200 million in total market capitalization) and within each sector, the components weighting could not exceed three percent (3%) of the Clean Energy Index.

Stock Universe

Companies selected for the Clean Energy Index include companies that contribute to the advancement of clean energy, including those developing and selling energy technologies and energy management services designed to address efficiency and environmental challenges as well as changes in fossil fuel resource abundance.

There is a strong bias in the Clean Energy Index in favor of companies in wind power, solar power, hydrogen and fuel cells and directly related industries. Companies in emerging clean energy fields, such as wave, tidal, geothermal and others, will be considered for inclusion in the Clean Energy Index based upon the carbon content of the company's energy source(s), impact upon marine and terrestrial biodiversity, and degree to which they advance or reflect the clean energy sector.

The Clean Energy Index is currently comprised of companies focused on the following sectors:

Renewable Energy Harvesting. These are the producers of energy that is renewably-made, or manufacturers relevant to green energy such as the makers of turbines and rotors used for wind power, makers of solar photovoltaic panels and makers of biofuels derived from renewable vegetable crops. Retailers of clean energy systems are included.

Power Delivery and Conservation. Of importance in clean energy systems are the electronics needed to smooth power outputs, convert Direct Current to Alternating Current and match power loads to output, including inverters, equipment for power conditioning and equipment for the transport, power management of hybrid, hydrogen and fuel cell vehicles. Companies promoting products with energy efficiency and conservation in this sector, including various end-use improvements such as appliance makers designing energy-efficient goods, or products curtailing need for power.

Cleaner Fuels. In the future, hydrogen may become an 'energy carrier' by moving power made one place to where it is needed. However, there are numerous daunting technical challenges, including the lack of a hydrogen infrastructure and very high cost. Hydrogen and fuel cells are only in early technical development, not widely commercialized for energy systems, and are still far more costly than fossil fuels.

Energy Storage. This wide-ranging category includes hydrogen storage by compression, hydrides or other means. Most renewable power is not 'firm' (meaning not always on, such as solar power that works only by day or wind power just at windy times), and accordingly companies that seek to join renewable power with energy storage systems are considered for including in the Clean Energy Index.

Energy Conversion. These are devices that convert fuels such as hydrogen to electrical power wherever needed. For instance, fuel cells are electrochemical devices that can directly convert a fuel like hydrogen plus air, to desired electricity. They are more efficient and cleaner than the combustion engines that burn fossil fuels.

Greener Utilities. These are utilities in the United States that are explicitly emphasizing cleaner methods of making electric power, including wind, solar, biogas, geothermal, hydro and others, and these companies are considered for inclusion in the Clean Energy Index.

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PREFERRED STOCK
COMMON STOCK

We, Morgan Stanley, may offer from time to time debt securities, units, warrants, purchase contracts, preferred stock and common stock. This prospectus describes the general terms of these securities and the general manner in which we will offer the securities. The specific terms of any securities we offer will be included in a supplement to this prospectus. The prospectus supplement will also describe the specific manner in which we will offer the securities.

Investing in the securities involves risks. See "Risk Factors" beginning on page 5.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

These securities are not deposits or savings accounts and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency or instrumentality, nor are they obligations of, or guaranteed by, a bank.

MORGAN STANLEY

November 21, 2011

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You should rely only on the information we incorporate by reference or provide in this prospectus or the relevant prospectus supplement. We have not authorized anyone else to provide you with different or additional information. We are not making an offer of these securities in any state where the offer is not permitted. Except as we indicate under the headings "Consolidated Ratios of Earnings to Fixed Charges and Earnings to Fixed Charges and Preferred Stock Dividends," "Morgan Stanley" and "Use of Proceeds," the terms "Morgan Stanley," "we," "us" and "our" refer to Morgan Stanley excluding its consolidated subsidiaries.

SUMMARY

We, Morgan Stanley, may offer any of the following securities: debt securities; units; warrants; purchase contracts; preferred stock; and common stock. The following summary describes these securities in general terms only. You should read the summary together with the more detailed information contained in the rest of this prospectus and the applicable prospectus supplement.

Debt Securities...	Our debt securities may be senior or subordinated in priority of payment. We will provide a prospectus supplement that describes the ranking, whether senior or subordinated, the specific designation, the aggregate principal amount, the purchase price, the maturity, the redemption terms, the interest rate or manner of calculating the interest rate, the time of payment of interest, if any, the terms for any conversion or exchange, including the terms relating to the adjustment of any conversion or exchange mechanism, the listing, if any, on a securities exchange and any other specific terms of the debt securities. The senior and subordinated debt securities will be issued under separate indentures between us and a U.S. banking institution as trustee. None of the indentures that govern our debt securities limits the amount of additional indebtedness that we or any of our subsidiaries may incur. We have summarized the general features of the indentures under the heading "Description of Debt Securities." We encourage you to read the indentures, which are exhibits to our registration statement.
Units	We may sell any combination of warrants, purchase contracts, shares of preferred stock, shares of common stock and debt securities issued by us, debt obligations or other securities of an entity affiliated or not affiliated with us or other property together as units. In a prospectus supplement, we will describe the particular combination of warrants, purchase contracts, shares of preferred stock, shares of common stock and debt securities issued by us, or debt obligations or other securities of an entity affiliated or not affiliated with us or other property constituting any units and any other specific terms of the units.
Warrants	We may sell warrants to purchase or sell: • securities issued by us or by an entity affiliated or not affiliated with us, a basket of those securities, an index or indices of those securities or any other property; • currencies; • commodities;

	• any other property; or • any combination of the above. In a prospectus supplement, we will inform you of the exercise price and other specific terms of the warrants, including whether our or your obligations, if any, under any warrants may be satisfied by delivering or purchasing the underlying securities, currencies, commodities or other property or their cash value.
Purchase Contracts	We may sell purchase contracts requiring the holders to purchase or sell: • securities issued by us or by an entity affiliated or not affiliated with us, a basket of those securities, an index or indices of those securities or any other property; • currencies; • commodities; • any other property; or • any combination of the above. In a prospectus supplement, we will describe the specific terms of the purchase contracts, including whether we will satisfy our obligations, if any, or you will satisfy your obligations, if any, under any purchase contracts by delivering the underlying securities, currencies, commodities or other property or their cash value.
Form	We may issue debt securities, units, warrants and purchase contracts in fully registered form or in bearer form and, in either case, in definitive form or global form. Debt securities in registered global form to be offered primarily outside the United States may be issued either under the new safekeeping structure or under the classic safekeeping structure. Debt securities in bearer form to be offered primarily outside the United States may be issued either in new global note form or in classic note form.
Preferred Stock	We may sell our preferred stock, par value $0.01 per share, in one or more series. In a prospectus supplement, we will describe the specific designation, the aggregate number of shares offered, the dividend rate or manner of calculating the dividend rate, the dividend periods or manner of calculating the dividend periods, the stated value of the shares of the series, the voting rights of the shares of the series, whether or not and on what terms the shares of the series will be convertible or exchangeable, whether and on what terms we can redeem the shares of the series, whether we will offer

	depositary shares representing shares of the series and if so, the fraction or multiple of a share of preferred stock represented by each depositary share, whether we will list the preferred stock or depositary shares on a securities exchange and any other specific terms of the series of preferred stock.
Common Stock	We may sell our common stock, par value $0.01 per share. In a prospectus supplement, we will describe the aggregate number of shares offered and the offering price or prices of the shares.
Terms Specified in Prospectus Supplements	When we decide to sell particular securities, we will prepare one or more prospectus supplements, which in the case of securities such as medium-term notes may be further supplemented by a pricing supplement, describing the securities offering and the specific terms of the securities. You should carefully read this prospectus and any applicable prospectus supplement and pricing supplement. We may also prepare free writing prospectuses that describe particular securities. Any free writing prospectus should also be read in connection with this prospectus and with any other prospectus supplement referred to therein. For purposes of this prospectus, any reference to an applicable prospectus supplement may also refer to a pricing supplement or a free writing prospectus, unless the context otherwise requires. We will offer our debt securities, warrants, purchase contracts, units, preferred stock and common stock to investors on terms determined by market and other conditions. Our securities may be sold for U.S. dollars or foreign currency. Principal of, and any premium or interest on, debt securities and cash amounts payable under warrants or purchase contracts may be payable in U.S. dollars or foreign currency, as we specifically designate in the applicable prospectus supplement. In any prospectus supplement we prepare, we will provide the name of and describe the compensation to each dealer, underwriter or agent, if any, involved in the sale of the securities being offered and the managing underwriters for any securities sold to or through underwriters. Any underwriters, including managing underwriters, dealers or agents in the United States will generally include Morgan Stanley & Co. LLC and any outside the United States will generally include Morgan Stanley & Co. International plc or other affiliates of ours.
Structural Subordination; Our Receipt of Cash from Our Subsidiaries May Be Restricted	The securities are unsecured senior or subordinated obligations of ours, but our assets consist primarily of equity in our subsidiaries. As a result, our ability to make payments on our debt securities, units, warrants and purchase contracts and/or pay dividends on our preferred stock and common

stock depends upon our receipt of dividends, loan payments and other funds from our subsidiaries. In addition, if any of our subsidiaries becomes insolvent, the direct creditors of that subsidiary will have a prior claim on its assets, and our rights and the rights of our creditors, including your rights as an owner of our debt securities, units, warrants, purchase contracts, preferred stock or common stock, will be subject to that prior claim, unless we are also a direct creditor of that subsidiary. This subordination of creditors of a parent company to prior claims of creditors of its subsidiaries is commonly referred to as structural subordination.

In addition, various statutes and regulations restrict some of our subsidiaries from paying dividends or making loans or advances to us. These restrictions could prevent those subsidiaries from paying the cash to us that we need in order to pay you. These restrictions include:

- the net capital requirements under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules of some exchanges and other regulatory bodies, which apply to some of our principal subsidiaries, such as Morgan Stanley & Co. LLC and Morgan Stanley & Co. International plc, and

- banking regulations, which apply to Morgan Stanley Bank, N.A., a national bank, Morgan Stanley Private Bank, National Association (formerly Morgan Stanley Trust FSB), a national bank, and other bank subsidiaries of ours.

Market-making by Our Affiliates .... Following the initial distribution of an offering of securities, Morgan Stanley & Co. LLC, Morgan Stanley & Co. International plc and other affiliates of ours may offer and sell those securities in the course of their businesses as broker dealers, subject, in the case of common stock, preferred stock and depositary shares, to obtaining any necessary approval of the New York Stock Exchange LLC for any of these offers and sales our United States affiliates may make. Morgan Stanley & Co. LLC, Morgan Stanley & Co. International plc and other affiliates of ours may act as a principal or agent in these transactions. This prospectus and the applicable prospectus supplement will also be used in connection with those transactions. Sales in any of those transactions will be made at varying prices related to prevailing market prices and other circumstances at the time of sale.

How to Reach Us.. You may contact us at our principal executive offices at 1585 Broadway, New York, New York 10036 (telephone number (212) 761-4000).

RISK FACTORS

For a discussion of the risk factors affecting Morgan Stanley and its business, including liquidity risk, market risk, credit risk, operational risk, competitive environment, legal risk and international risk, among others, see "Risk Factors" in Part I, Item 1A of our most recent annual report on Form 10-K and our current and periodic reports filed pursuant to the Securities and Exchange Act of 1934 that are incorporated by reference into this prospectus.

In addition, some of the securities we offer may be subject to foreign-currency risks as described below.

Foreign-Currency Risks

You should consult your financial and legal advisers as to any specific risks entailed by an investment in securities that are denominated or payable in, or the payment of which is linked to the value of, a currency other than the currency of the country in which you are resident or in which you conduct your business, which we refer to as your "home currency." These securities are not appropriate investments for investors who are not sophisticated in foreign currency transactions. We disclaim any responsibility to advise prospective purchasers who are residents of countries other than the United States of any matters arising under non-U.S. law that may affect the purchase of or holding of, or the receipt of payments on, these securities. These persons should consult their own legal and financial advisers concerning these matters.

Exchange Rates and Exchange Controls May Affect Securities' Value or Return

General Exchange Rate and Exchange Control Risks. An investment in a security that is denominated or payable in, or the payment of which is linked to the value of, currencies other than your home currency entails significant risks. These risks include the possibility of significant changes in rates of exchange between your home currency and the relevant foreign currencies and the possibility of the imposition or modification of exchange controls by the relevant governmental entities. These risks generally depend on economic and political events over which we have no control.

Exchange Rates Will Affect Your Investment. In recent years, rates of exchange between some currencies have been highly volatile and this volatility may continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur during the term of any security. Depreciation against your home currency of the currency in which a security is payable would result in a decrease in the effective yield of the security below its coupon rate or in the payout of the security and could result in an overall loss to you on a home currency basis. In addition, depending on the specific terms of a currency-linked security, changes in exchange rates relating to any of the relevant currencies could result in a decrease in its effective yield and in your loss of all or a substantial portion of the value of that security.

There May Be Specific Exchange Rate Risks Applicable to Warrants and Purchase Contracts. Fluctuations in the rates of exchange between your home currency and any other currency (i) in which the exercise price of a warrant or the purchase price of a purchase contract is payable, (ii) in which the value of the property underlying a warrant or purchase contract is quoted or (iii) to be purchased or sold by exercise of a warrant or pursuant to a purchase contract or in the rates of exchange among any of these currencies may change the value of a warrant, a purchase contract or a unit that includes a warrant or purchase contract. You could lose money on your investment as a result of these fluctuations, even if the spot price of the property underlying the warrant or purchase contract were such that the warrant or purchase contract appeared to be "in the money."

We Have No Control Over Exchange Rates. Currency exchange rates can either float or be fixed by sovereign governments. Exchange rates of most economically developed nations are permitted to fluctuate in value relative to each other. However, from time to time governments may use a variety of techniques, such as intervention by a country's central bank, the imposition of regulatory controls or taxes or changes in interest rates to influence the exchange rates of their currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by a devaluation or revaluation of a currency. These governmental actions could change or interfere with currency valuations and currency fluctuations that would otherwise occur in response to economic forces, as well as in response to the movement of currencies across borders.

As a consequence, these government actions could adversely affect yields or payouts in your home currency for (i) securities denominated or payable in currencies other than your home currency, (ii) currency-linked securities, (iii) warrants or purchase contracts where the exercise price or the purchase price is denominated in a currency differing from your home currency or where the value of the property underlying the warrants or purchase contracts is quoted in a currency other than your home currency and (iv) warrants or purchase contracts to purchase or sell foreign currency.

We will not make any adjustment or change in the terms of the securities in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of other developments affecting your home currency or any applicable foreign currency. You will bear those risks.

Some Foreign Currencies May Become Unavailable. Governments have imposed from time to time, and may in the future impose, exchange controls that could also affect the availability of a specified currency. Even if there are no actual exchange controls, it is possible that the applicable currency for any security would not be available when payments on that security are due.

Alternative Payment Method Used if Payment Currency Becomes Unavailable. Unless otherwise specified in the applicable prospectus supplement, if a payment currency is unavailable, we would make required payments in U.S. dollars on the basis of the market exchange rate, which might be an extremely unfavorable rate at the time of any such unavailability. However, if the applicable currency for any security is not available because the euro has been substituted for that currency, we would make the payments in euro. The mechanisms for making payments in these alternative currencies are explained in "Description of Debt Securities—Interest and Principal Payments" below.

Currency Conversions May Affect Payments on Some Securities

The applicable prospectus supplement may provide for (i) payments on a non-U.S. dollar denominated security to be made in U.S. dollars or (ii) payments on a U.S. dollar denominated security to be made in a currency other than U.S. dollars. In these cases, Morgan Stanley & Co. International plc, in its capacity as exchange rate agent, or a different exchange rate agent identified in the applicable prospectus supplement, will convert the currencies. You will bear the costs of conversion through deductions from those payments. Morgan Stanley & Co. International plc is our affiliate.

Exchange Rates May Affect the Value of a New York Judgment Involving Non-U.S. Dollar Securities

The securities will be governed by and construed in accordance with the laws of the State of New York. If a New York court were to enter a judgment in an action on any securities denominated in a foreign currency, such court would enter a judgment in the foreign currency and convert the judgment or decree into U.S. dollars at the prevailing rate of exchange on the date such judgment or decree is entered.

Additional risks specific to particular securities will be detailed in the applicable prospectus supplements.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. In addition, the SEC maintains a website that contains reports, proxy statements and other information that we electronically file. The address of the SEC's website is http://www.sec.gov. You can find information we have filed with the SEC by reference to file number 001-11758.

This prospectus is part of a registration statement we filed with the SEC. This prospectus omits some information contained in the registration statement in accordance with SEC rules and regulations. You should review the information and exhibits in the registration statement for further information on us and our consolidated subsidiaries and the securities we are offering. Statements in this prospectus concerning any document we filed as an exhibit to the registration statement or that we otherwise filed with the SEC are not intended to be comprehensive and are qualified by reference to these filings. You should review the complete document to evaluate these statements.

Our common stock, par value $0.01 per share, is listed on the New York Stock Exchange LLC under the symbol "MS." You may inspect reports, proxy statements and other information concerning us and our consolidated subsidiaries at the offices of the New York Stock Exchange LLC, 20 Broad Street, New York, New York 10005.

The SEC allows us to incorporate by reference much of the information we file with them, which means that we can disclose important information to you by referring you to those publicly available documents. The information that we incorporate by reference in this prospectus is considered to be part of this prospectus. Because we are incorporating by reference future filings with the SEC, this prospectus is continually updated and those future filings may modify or supersede some of the information included or incorporated by reference in this prospectus. This means that you must look at all of the SEC filings that we incorporate by reference to determine if any of the statements in this prospectus or in any document previously incorporated by reference have been modified or superseded. This prospectus incorporates by reference the documents listed below and any future filings we make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 (other than information in the documents or filings that is deemed to have been furnished and not filed) until we complete our offering of the securities to be issued under the registration statement or, if later, the date on which any of our affiliates cease offering and selling these securities:

- Annual Report on Form 10-K for the fiscal year ended December 31, 2010;

- Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2011, June 30, 2011 and September 30, 2011;

- Current Reports on Form 8-K dated January 4, 2011, January 13, 2011, January 20, 2011, March 21, 2011, March 24, 2011, April 21, 2011 (two filings), May 18, 2011, June 30, 2011, July 20, 2011, July 21, 2011, September 15, 2011 and October 19, 2011;

- description of our common stock in our Registration Statement on Form 10 filed with the SEC pursuant to Section 12 of the Exchange Act, on January 15, 1993, as amended by the description contained in the Forms 8 dated February 11, February 21 and February 22, 1993 and as further amended by the description contained in the Form 8-K dated June 19, 2007; and

- in addition, solely with regard to the securities covered by this prospectus that were initially offered and sold under previously filed registration statements of Morgan Stanley and that from time to time may be reoffered and resold in market-making transactions under this prospectus, the information in the prospectus supplements relating to those securities that were previously filed by Morgan Stanley in connection with its initial offer and sale (except to the extent that any such information has been modified or superseded by other information included or incorporated by reference in this prospectus) is incorporated by reference into this prospectus.

You can request a copy of these documents, excluding exhibits not specifically incorporated by reference into these documents, at no cost, by writing or telephoning us at the following address:

Morgan Stanley
1585 Broadway
New York, New York 10036
Attention: Investor Relations
(212) 761-4000

CONSOLIDATED RATIOS OF EARNINGS TO FIXED CHARGES AND EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

The following table sets forth our consolidated ratios of earnings to fixed charges and earnings to fixed charges and preferred stock dividends for the periods indicated.

		Fiscal Year Ended					One Month
	Nine Months Ended September 30, 2011	December 31, 2010	December 31, 2009	November 30, 2008	November 30, 2007	November 30, 2006	Ended December 31, 2008
Ratio of earnings to fixed charges	2.2	1.7	1.1	1.0	1.0	1.2	*
Ratio of earnings to fixed charges and preferred stock dividends	2.1	1.5	0.9	1.0	1.0	1.2	*

* The earnings for the one month ended December 31, 2008 were inadequate to cover total fixed charges and total fixed charges and preferred stock dividends. The coverage deficiency for total fixed charges for the one month ended December 31, 2008 was $1,996 million, and the coverage deficiency for total fixed charges and preferred stock dividends for the one month ended December 31, 2008 was $2,493 million.

For purposes of calculating the ratio of earnings to fixed charges and the ratio of earnings to fixed charges and preferred stock dividends, earnings before income taxes do not include dividends on preferred securities subject to mandatory redemption, gain (loss) on discontinued operations, non-controlling interests and income or loss from equity investees. Fixed charges consist of interest cost, including interest on deposits, interest on discontinued operations, dividends on preferred securities subject to mandatory redemption, and that portion of rent expense to be representative of the interest factor. Fixed charges do not include interest expense on uncertain tax liabilities as the Company records these amounts within the Provision for income taxes.

The preferred stock dividend amounts represent pre-tax earnings required to cover dividends on preferred stock.

MORGAN STANLEY

Morgan Stanley is a global financial services firm that, through its subsidiaries and affiliates, provides its products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals. Morgan Stanley was originally incorporated under the laws of the State of Delaware in 1981, and its predecessor companies date back to 1924. Morgan Stanley is a financial holding company regulated by the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956, as amended.

Morgan Stanley conducts its business from its headquarters in and around New York City, its regional offices and branches throughout the United States, and its principal offices in London, Tokyo, Hong Kong and other world financial centers. Morgan Stanley maintains significant market positions in each of its business segments—Institutional Securities, Global Wealth Management Group and Asset Management.

A summary of the activities of each of Morgan Stanley's business segments is as follows:

- *Institutional Securities* provides capital raising; financial advisory services, including advice on mergers and acquisitions, restructurings, real estate and project finance; corporate lending; sales, trading, financing and market-making activities in equity and fixed income securities and related products, including foreign exchange and commodities; and investment activities.

- *Global Wealth Management Group*, which includes Morgan Stanley's 51% interest in Morgan Stanley Smith Barney Holdings LLC, provides brokerage and investment advisory services to individual investors and small-to-medium sized businesses and institutions covering various investment alternatives; financial and wealth planning services; annuity and other insurance products; credit and other lending products; cash management services; retirement services; and trust and fiduciary services and engages in fixed income principal trading, which primarily facilitates clients' trading or investments in such securities.

- *Asset Management* provides a broad array of investment strategies that span the risk/return spectrum across geographies, asset classes and public and private markets to a diverse group of clients across the institutional and intermediary channels as well as high net worth clients.

Morgan Stanley's principal executive offices are at 1585 Broadway, New York, New York 10036, and its telephone number is (212) 761-4000.

USE OF PROCEEDS

Unless otherwise set forth in the applicable prospectus supplement, we intend to use the net proceeds from the sale of the securities we offer by this prospectus for general corporate purposes, which may include, among other things:

- additions to working capital;
- the repurchase of outstanding common stock; and
- the repayment of indebtedness.

We anticipate that we will raise additional funds from time to time through equity or debt financing, including borrowings under revolving credit agreements, to finance our businesses worldwide.

DESCRIPTION OF DEBT SECURITIES

Debt May Be Senior or Subordinated

We may issue senior or subordinated debt securities. The senior debt securities and, in the case of debt securities in bearer form, any coupons to these securities, will constitute part of our senior debt, will be issued under our Senior Debt Indenture, as defined below, and will rank on a parity with all of our other unsecured and unsubordinated debt. The subordinated debt securities and any coupons will constitute part of our subordinated debt, will be issued under our Subordinated Debt Indenture, as defined below, and will be subordinate and junior in right of payment, as set forth in the Subordinated Debt Indenture, to all of our "senior indebtedness," which is defined in our Subordinated Debt Indenture. If this prospectus is being delivered in connection with a series of subordinated debt securities, the accompanying prospectus supplement or the information we incorporate in this prospectus by reference will indicate the approximate amount of senior indebtedness outstanding as of the end of the most recent fiscal quarter. We refer to our Senior Debt Indenture and our Subordinated Debt Indenture individually as an "indenture" and collectively as the "indentures."

We have summarized below the material provisions of the indentures and the debt securities, or indicated which material provisions will be described in the related prospectus supplement. These descriptions are only summaries, and each investor should refer to the applicable indenture and any supplements thereto, which describe completely the terms and definitions summarized below and contains additional information regarding the debt securities. Where appropriate, we use parentheses to refer you to the particular sections of the applicable indenture. Any reference to particular sections or defined terms of the applicable indenture in any statement under this heading qualifies the entire statement and incorporates by reference the applicable section or definition into that statement. The indentures are substantially identical, except for the provisions relating to Morgan Stanley's negative pledge and to debt securities in NGN form or issued under the NSS (each as defined below), which are included in the Senior Debt Indenture only and the provisions relating to subordination and the shorter list of events of default under the Subordinated Debt Indenture.

We may issue debt securities from time to time in one or more series. The provisions of each indenture allow us to "reopen" a previous issue of a series of debt securities and issue additional debt securities of that issue. The debt securities may be denominated and payable in U.S. dollars or foreign currencies. We may also issue debt securities, from time to time, with the principal amount or interest payable on any relevant payment date to be determined by reference to one or more currency exchange rates or indices of currency exchange rates, securities or baskets or indices of securities or other property, commodity prices or indices, or any other property, or any combination of the foregoing. Holders of these types of debt securities will receive payments of principal or interest that depend upon the value of the applicable underlying asset on the relevant payment dates.

Debt securities may bear interest at a fixed rate or a floating rate, which, in either case, may be zero, or at a rate that varies during the lifetime of the debt security. Debt securities bearing no interest or interest at a rate that at the time of issuance is below the prevailing market rate may be sold at a discount below their stated principal amount.

Terms Specified in Prospectus Supplement

The prospectus supplement will contain, where applicable, the following terms of and other information relating to any offered debt securities:

- classification as senior or subordinated debt securities and the specific designation;
- aggregate principal amount, purchase price and denomination;
- currency in which the debt securities are denominated and/or in which principal, and premium, if any, and/or interest, if any, is payable;
- date of maturity;
- the interest rate or rates or the method by which the calculation agent will determine the interest rate or rates, if any;
- whether interest will be payable in cash or payable in kind;
- the interest payment dates, if any;
- the place or places for payment of the principal of and any premium and/or interest on the debt securities;
- any repayment, redemption, prepayment or sinking fund provisions, including any redemption notice provisions;
- whether we will issue the debt securities in registered form or bearer form or both, if we are offering debt securities in registered form primarily outside the United States, whether those debt securities in registered form will or will not be issued under the NSS, and if we are offering debt securities in bearer form, any restrictions applicable to the exchange of one form for another, to the offer, sale and delivery of those debt securities in bearer form and whether those debt securities in bearer form will or will not be issued in NGN form;
- whether we will issue the debt securities in definitive form and under what terms and conditions;
- the terms on which holders of the debt securities may convert or exchange these securities into or for common or preferred stock or other securities of ours offered hereby, into or for common or preferred stock or other securities of an entity affiliated with us or debt or equity or other securities of an entity not affiliated with us, or into any other property or for the cash value of our stock or any of the above securities, the terms on which conversion or exchange may occur, including whether conversion or exchange is mandatory, at the option of the holder or at our option, the period during which conversion or exchange may occur, the initial conversion or exchange price or rate and the circumstances or manner in which the amount of common or preferred stock or other securities issuable upon conversion or exchange may be adjusted;
- information as to the methods for determining the amount of principal or interest payable on any date and/or the currencies, securities or baskets of securities, commodities or indices to which the amount payable on that date is linked;
- any agents for the debt securities, including trustees, depositories, authenticating or paying agents, transfer agents or registrars or any other agents with respect to the debt securities;
- any applicable U.S. federal income tax consequences, including:

- o whether and under what circumstances we will pay additional amounts on debt securities held by a person who is not a U.S. person for any tax, assessment or governmental charge withheld or deducted and, if so, whether we will have the option to redeem those debt securities rather than pay the additional amounts;
  - o tax considerations applicable to any discounted debt securities or to debt securities issued at par that are treated as having been issued at a discount for U.S. federal income tax purposes; and
  - o tax considerations applicable to any debt securities denominated and payable in foreign currencies; and

- any other specific terms of the debt securities, including any additions, modifications or deletions in the defaults, events of default or covenants, and any terms required by or advisable under applicable laws or regulations.

Some Definitions

We have defined some of the terms that we use frequently in this prospectus below:

A "business day" means any day, other than a Saturday or Sunday, (i) that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close (a) in The City of New York or (b) for debt securities denominated in a specified currency other than U.S. dollars, euro or Australian dollars, in the principal financial center of the country of the specified currency or (c) for debt securities denominated in Australian dollars, in Sydney, and (ii) for debt securities denominated in euro, that is also a TARGET Settlement Day.

"Clearstream, Luxembourg" means Clearstream Banking, *société anonyme*, Luxembourg.

"Depositary" means The Depository Trust Company, New York, New York.

"Euro LIBOR debt securities" means LIBOR debt securities for which the index currency is euros.

"Euroclear" means Euroclear Bank S.A./N.V.

An "interest payment date" for any debt security means a date on which, under the terms of that debt security, regularly scheduled interest is payable.

"London banking day" means any day on which dealings in deposits in the relevant index currency are transacted in the London interbank market.

"NGN form" for any debt security in bearer form means that such debt security is to be issued in new global note form and deposited with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

The "NSS" means the new safekeeping structure for certain debt securities in registered global form. Any debt security in registered global form issued under the NSS is to be deposited with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

The "record date" for any interest payment date, unless otherwise specified in the applicable prospectus supplement, is the date 15 calendar days prior to that interest payment date, whether or not that date is a business day.

"TARGET Settlement Day" means any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer payment system, which utilizes a single shared platform and was launched on November 19, 2007, is open for the settlement of payment in euro.

References in this prospectus to "U.S. dollar," or "U.S.$" or "$" are to the currency of the United States of America. References in this prospectus to "euro" and "€" are to the single currency introduced at the commencement of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

Interest and Principal Payments

Payments, Exchanges and Transfers. Holders may present debt securities for payment of principal, premium, if any, and interest, if any, register the transfer of the debt securities and exchange the debt securities at the agency in the Borough of Manhattan, The City of New York, maintained by us for that purpose. However, holders of global debt securities may transfer and exchange global debt securities only in the manner and to the extent set forth under "Forms of Securities—Global Securities" below. On the date of this prospectus, the agent for the payment, transfer and exchange of debt securities issued under our senior indenture is The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A. (formerly known as JPMorgan Chase Bank)) acting through its corporate trust office at 101 Barclay Street, New York, New York 10286. On the date of this prospectus, the agent for the payment, transfer and exchange of debt securities issued under our subordinated indenture is The Bank of New York Mellon (as successor to J.P. Morgan Trust Company, National Association), acting through its corporate trust office at 101 Barclay Street, New York, New York 10286. We refer to The Bank of New York Mellon, acting in this capacity for the respective debt securities, as the paying agent.

We will not be required to:

- register the transfer of or exchange any debt security if the holder has exercised the holder's right, if any, to require us to repurchase the debt security, in whole or in part, except the portion of the debt security not required to be repurchased;
- register the transfer of or exchange debt securities to be redeemed for a period of fifteen calendar days preceding the mailing of the relevant notice of redemption; or
- register the transfer of or exchange any registered debt security selected for redemption in whole or in part, except the unredeemed or unpaid portion of that registered debt security being redeemed in part.

No service charge will be made for any registration or transfer or exchange of debt securities, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the registration of transfer or exchange of debt securities.

Holders may transfer debt securities in bearer form and the related coupons, if any, by delivery to the transferee. If any of the securities are held in global form, the procedures for transfer of interests in those securities will depend upon the procedures of the depositary for those global securities. See "Forms of Securities" below.

Although we anticipate making payments of principal, premium, if any, and interest, if any, on most debt securities in U.S. dollars, some debt securities may be payable in foreign currencies as specified in the applicable prospectus supplement. Currently, few facilities exist in the United States to convert U.S. dollars into foreign currencies and vice versa. In addition, most U.S. banks do not offer non-U.S. dollar denominated checking or savings account facilities. Accordingly, unless alternative arrangements are made, we will pay principal, premium, if any, and interest, if any, on debt securities that are payable in a foreign currency to an account at a bank outside the United States, which, in the case of a debt security payable in euro, will be made by credit or transfer to a euro account specified by the payee in a country for which the euro is the lawful currency.

Recipients of Payments. The paying agent will pay interest to the person in whose name the debt security is registered at the close of business on the applicable record date. However, upon maturity, redemption or repayment, the paying agent will pay any interest due to the person to whom it pays the principal of the debt security. The paying agent will make the payment of interest on the date of maturity, redemption or repayment, whether or not that date is an interest payment date. The paying agent will make the initial interest payment on a debt security on the first interest payment date falling after the date of issuance, unless the date of issuance is less than 15 calendar days before an interest payment date. In that case, the paying agent will pay interest or, in the case of an amortizing debt security, principal and interest, on the next succeeding interest payment date to the holder of record on the record date corresponding to the succeeding interest payment date.

Book-Entry Debt Securities. The paying agent will make payments of principal, premium, if any, and interest, if any, to the account of the Depositary, as holder of book-entry debt securities, by wire transfer of immediately available funds. We expect that the Depositary, upon receipt of any payment, will immediately credit its participants' accounts in amounts proportionate to their respective beneficial interests in the book-entry debt securities as shown on the records of the Depositary. We also expect that payments by the Depositary's participants to owners of beneficial interests in the book-entry debt securities will be governed by standing customer instructions and customary practices and will be the responsibility of those participants.

Certificated Debt Securities. Except as indicated below for payments of interest at maturity, redemption or repayment, the paying agent will make U.S. dollar payments of interest either:

- by check mailed to the address of the person entitled to payment as shown on the debt security register; or
- for a holder of at least $10,000,000 in aggregate principal amount of certificated debt securities of a series having the same interest payment date, by wire transfer of immediately available funds, if the holder has given written notice to the paying agent not later than 15 calendar days prior to the applicable interest payment date.

U.S. dollar payments of principal, premium, if any, and interest, if any, upon maturity, redemption or repayment on a debt security will be made in immediately available funds against presentation and surrender of the debt security.

Unavailability of Foreign Currency. The relevant specified currency may not be available to us for making payments of principal of, premium, if any, or interest, if any, on any debt security. This could occur due to the imposition of exchange controls or other circumstances beyond our control or if the specified currency is no longer used by the government of the country issuing that currency or by public institutions within the international banking community for the settlement of transactions. If the specified currency is unavailable, we may satisfy our obligations to holders of the debt securities by making those payments on the date of payment in U.S. dollars on the basis of the noon dollar buying rate in The City of New York for cable transfers of the currency or currencies in which a payment on any debt security was to be made, published by the Federal Reserve Bank of New York, which we refer to as the "market exchange rate." If that rate of exchange is not then available or is not published for a particular payment currency, the market exchange rate will be based on the highest bid quotation in The City of New York received by the exchange rate agent at approximately 11:00 a.m., New York City time, on the second business day preceding the applicable payment date from three recognized foreign exchange dealers for the purchase by the quoting dealer:

- of the specified currency for U.S. dollars for settlement on the payment date;
- in the aggregate amount of the specified currency payable to those holders or beneficial owners of debt securities; and
- at which the applicable dealer commits to execute a contract.

One of the dealers providing quotations may be the exchange rate agent unless the exchange rate agent is our affiliate. If those bid quotations are not available, the exchange rate agent will determine the market exchange rate at its sole discretion.

These provisions do not apply if a specified currency is unavailable because it has been replaced by the euro. If the euro has been substituted for a specified currency, we may at our option, or will, if required by applicable law, without the consent of the holders of the affected debt securities, pay the principal of, premium, if any, or interest, if any, on any debt security denominated in the specified currency in euro instead of the specified currency, in conformity with legally applicable measures taken pursuant to, or by virtue of, the Treaty establishing the European Community, as amended. Any payment made in U.S. dollars or in euro as described above where the required payment is in an unavailable specified currency will not constitute an event of default.

Discount Debt Securities. Some debt securities may be considered to be issued with original issue discount, which must be included in income for U.S. federal income tax purposes at a constant yield. We refer to these debt securities as "discount notes." See the discussion under "United States Federal Taxation—Tax Consequences to U.S. Holders—Discount Notes" below. In the event of a redemption or repayment of any discount note or if the principal of any debt security that is considered to be issued with original issue discount is declared to be due and payable immediately as described under "Description of Debt Securities—Events of Default" below, the amount of principal due and payable on that debt security will be limited to:

- the aggregate principal amount of the debt security *multiplied by* the sum of
  - its issue price, expressed as a percentage of the aggregate principal amount, *plus*
  - the original issue discount amortized from the interest accrual date for the applicable discount note to the date of declaration, expressed as a percentage of the aggregate principal amount.

For purposes of determining the amount of original issue discount that has accrued as of any date on which a redemption, repayment or acceleration of maturity occurs for a discount note, original issue discount will be accrued using a constant yield method. The constant yield will be calculated using a 30-day month, 360-day year convention, a compounding period that, except for the initial period (as defined below), corresponds to the shortest period between interest payment dates for the applicable discount note (with ratable accruals within a compounding period), and an assumption that the maturity of a discount note will not be accelerated. If the period from the date of issue to the first interest payment date for a discount note (the "initial period") is shorter than the compounding period for the discount note, a proportionate amount of the yield for an entire compounding period will be accrued. If the initial period is longer than the compounding period, then the period will be divided into a regular compounding period and a short period with the short period being treated as provided in the preceding sentence. The accrual of the applicable original issue discount discussed above may differ from the accrual of original issue discount for purposes of the Internal Revenue Code of 1986, as amended (the "Code"), certain discount notes may not be treated as having original issue discount within the meaning of the Code, and debt securities other than discount notes may be treated as issued with original issue discount for federal income tax purposes. See the discussion under "United States Federal Taxation" below. See the applicable prospectus supplement for any special considerations applicable to these debt securities.

Fixed Rate Debt Securities

Each fixed rate debt security will bear interest from the date of issuance at the annual rate stated on its face until the principal is paid or made available for payment.

How Interest Is Calculated. Interest on fixed rate debt securities will be computed on the basis of a 360-day year of twelve 30-day months.

How Interest Accrues. Interest on fixed rate debt securities will accrue from and including the most recent interest payment date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for, from and including the issue date or any other date specified in a prospectus supplement on which interest begins to accrue. Interest will accrue to but excluding the next interest payment date, or, if earlier, the date on which the principal has been paid or duly made available for payment, except as described below under "—If a Payment Date Is Not a Business Day."

When Interest Is Paid. Payments of interest on fixed rate debt securities will be made on the interest payment dates specified in the applicable prospectus supplement. However, if the period of time between the issue date and the first interest payment date thereafter is less than the period of time between a record date and an interest payment date, interest will not be paid on the first interest payment date, but will be paid on the second interest payment date.

Amount of Interest Payable. Interest payments for fixed rate debt securities will include accrued interest from and including the date of issue (or any other date specified in a prospectus supplement on which interest begins to accrue) or from and including the last date in respect of which interest has been paid, as the case may be, to but excluding the relevant interest payment date or date of maturity or earlier redemption or repayment, as the case may be.

If a Payment Date Is Not a Business Day. If any scheduled interest payment date is not a business day, we will pay interest on the next business day, but interest on that payment will not accrue during the period from and after the scheduled interest payment date. If the scheduled maturity date or date of redemption or repayment is not a business day, we may pay interest, if any, and principal and premium, if any, on the next succeeding business day, but interest on that payment will not accrue during the period from and after the scheduled maturity date or date of redemption or repayment.

Amortizing Debt Securities. A fixed rate debt security may pay scheduled amounts in respect of both interest and principal amortized over the life of the debt security. Payments of principal and interest on amortizing debt securities will be made on the interest payment dates specified in the applicable prospectus supplement, and at maturity or upon any earlier redemption or repayment. Payments on amortizing debt securities will be applied first to interest due and payable and then to the reduction of the unpaid principal amount. We will provide to the original purchaser, and will furnish to subsequent holders upon request to us, a table setting forth repayment information for each amortizing debt security.

Floating Rate Debt Securities

Each floating rate debt security will mature on the date specified in the applicable prospectus supplement.

Each floating rate debt security will bear interest at a floating rate determined by reference to an interest rate or interest rate formula, which we refer to as the "base rate." The base rate may be one or more of the following:

- the CD rate;
- the commercial paper rate;
- EURIBOR;
- the federal funds rate;
- the federal funds (open) rate;
- LIBOR;
- the prime rate;
- the Treasury rate;
- the CMT rate; or
- any other rate or interest rate formula specified in the applicable prospectus supplement and in the floating rate debt security.

Formula for Interest Rates. The interest rate on each floating rate debt security will be calculated by reference to:

- the specified base rate based on the index maturity;
- plus or minus the spread, if any; and/or
- multiplied by the spread multiplier, if any.

For any floating rate debt security, "index maturity" means the period of maturity of the instrument or obligation from which the base rate is calculated and will be specified in the applicable prospectus supplement. The "spread" is the number of basis points (one one-hundredth of a percentage point) specified in the applicable prospectus supplement to be added to or subtracted from the base rate for a floating rate debt security. The "spread multiplier" is the percentage specified in the applicable prospectus supplement to be applied to the base rate for a floating rate debt security. The interest rate on any inverse floating rate debt security will also be calculated by reference to a fixed rate.

Limitations on Interest Rate. A floating rate debt security may also have either or both of the following limitations on the interest rate:

- a maximum limitation, or ceiling, on the rate of interest which may accrue during any interest period, which we refer to as the "maximum interest rate"; and/or

- a minimum limitation, or floor, on the rate of interest that may accrue during any interest period, which we refer to as the "minimum interest rate."

Any applicable maximum interest rate or minimum interest rate will be set forth in the applicable prospectus supplement.

In addition, the interest rate on a floating rate debt security may not be higher than the maximum rate permitted by New York law, as that rate may be modified by United States law of general application. Under current New York law, the maximum rate of interest, subject to some exceptions, for any loan in an amount less than $250,000 is 16% and for any loan in the amount of $250,000 or more but less than $2,500,000 is 25% per annum on a simple interest basis. These limits do not apply to loans of $2,500,000 or more.

How Floating Interest Rates Are Reset. The interest rate in effect from the date of issue (or any other date specified in a prospectus supplement on which interest begins to accrue) to the first interest reset date for a floating rate debt security will be the initial interest rate specified in the applicable prospectus supplement. We refer to this rate as the "initial interest rate." The interest rate on each floating rate debt security may be reset daily, weekly, monthly, quarterly, semiannually or annually. This period is the "interest reset period" and the first day of each interest reset period is the "interest reset date." The "interest determination date" for any interest reset date is the day the calculation agent will refer to when determining the new interest rate at which a floating rate will reset, and is applicable as follows:

- for federal funds rate debt securities, federal funds (open) rate debt securities, and prime rate debt securities, the interest determination date will be on the business day prior to the interest rate reset date;

- for CD rate debt securities, commercial paper rate debt securities and CMT rate debt securities, the interest determination date will be the second business day prior to the interest reset date;

- for EURIBOR debt securities or Euro LIBOR debt securities, the interest determination date will be the second TARGET Settlement Day, as defined above under "—General Terms of Debt securities—Some Definitions," prior to the interest reset date;

- for LIBOR debt securities (other than Euro LIBOR debt securities), the interest determination date will be the second London banking day prior to the interest reset date, except that the interest determination date pertaining to an interest reset date for a LIBOR debt security for which the index currency is pounds sterling will be the interest reset date;

- for Treasury rate debt security, the interest determination date will be the day of the week in which the interest reset date falls on which Treasury bills would normally be auctioned. Treasury bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except that the auction may be held on the preceding Friday; provided, however, that if an auction is held on the Friday of the week preceding the interest reset date, the interest determination date will be that preceding Friday; and

- for debt securities with two or more base rates, the interest determination date will be the latest business day that is at least two business days before the applicable interest reset date on which each base rate is determinable.

If Treasury bills are sold at an auction that falls on a day that is an interest reset date, that interest reset date will be the next following business day.

The interest reset dates will be specified in the applicable prospectus supplement. If an interest reset date for any floating rate debt security falls on a day that is not a business day, it will be postponed to the following business day, except that, in the case of a EURIBOR debt security or a LIBOR debt security, if that business day is in the next calendar month, the interest reset date will be the immediately preceding business day.

The interest rate in effect for the ten calendar days immediately prior to maturity, redemption or repayment will be the one in effect on the tenth calendar day preceding the maturity, redemption or repayment date.

In the detailed descriptions of the various base rates which follow, the "calculation date" pertaining to an interest determination date means the earlier of (i) the tenth calendar day after that interest determination date, or, if that day is not a business day, the next succeeding business day, or (ii) the business day immediately preceding the applicable interest payment date or maturity date or, for any principal amount to be redeemed or repaid, any redemption or repayment date.

How Interest Is Calculated. Interest on floating rate debt securities will accrue from and including the most recent interest payment date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for, from and including the issue date or any other date specified in a prospectus supplement on which interest begins to accrue. Interest will accrue to but excluding the next interest payment date or, if earlier, the date on which the principal has been paid or duly made available for payment, except as described below under "—If a Payment Date Is Not a Business Day."

The applicable prospectus supplement will specify a calculation agent for any issue of floating rate debt securities. Upon the request of the holder of any floating rate debt security, the calculation agent will provide the interest rate then in effect and, if determined, the interest rate that will become effective on the next interest reset date for that floating rate debt security. The calculation agent will notify the U.K. Financial Services Authority (the "FSA") and/or the London Stock Exchange plc, in the case of debt securities admitted to the Official List of the FSA and admitted to trading on the Regulated Market of the London Stock Exchange plc, where the rules of the FSA and/or the London Stock Exchange plc require it, and the paying agents of each determination of the interest rate applicable to any floating rate debt security promptly after the determination is made.

For a floating rate debt security, accrued interest will be calculated by multiplying the principal amount of the floating rate debt security by an accrued interest factor. This accrued interest factor will be computed by adding the interest factors calculated for each day in the period for which interest is being paid. The interest factor for each day is computed by *dividing* the interest rate applicable to that day:

- by 360, in the case of CD rate debt securities, commercial paper rate debt securities, EURIBOR debt securities, federal funds rate debt securities, federal funds (open) rate debt securities, LIBOR debt securities (except for LIBOR debt securities denominated in pounds sterling) and prime rate debt securities;

- by 365, in the case of LIBOR debt securities denominated in pounds sterling; or

- by the actual number of days in the year, in the case of Treasury rate debt securities, CMT rate debt securities and securities for which the applicable prospectus supplement provides that the day count convention will be "actual/actual."

For these calculations, the interest rate in effect on any interest reset date will be the applicable rate as reset on that date. The interest rate applicable to any other day is the interest rate from the immediately preceding interest reset date or, if none, the initial interest rate.

All percentages used in or resulting from any calculation of the rate of interest on a floating rate debt security will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with .000005% rounded up to .00001%, and all U.S. dollar amounts used in or resulting from these calculations on floating rate debt securities will be rounded to the nearest cent, with one-half cent rounded upward. All Japanese Yen amounts used in or resulting from these calculations will be rounded downward to the next lower whole Japanese Yen amount. All amounts denominated in any other currency used in or resulting from these calculations will be rounded to the nearest two decimal places in that currency, with .005 rounded up to .01.

When Interest Is Paid. We will pay interest on floating rate debt securities on the interest payment dates specified in the applicable prospectus supplement. However, if the period of time between the issue date and the first interest payment date thereafter is less than the period of time between a record date and an interest payment date, interest will not be paid on the first interest payment date, but will be paid on the second interest payment date.

If a Payment Date Is Not a Business Day. If any scheduled interest payment date, other than the maturity date or any earlier redemption or repayment date, for any floating rate debt security falls on a day that is not a business day, it will be postponed to the following business day, except that, in the case of a EURIBOR debt security or a LIBOR debt security, if that business day would fall in the next calendar month, the interest payment date will be the immediately preceding business day. If the scheduled maturity date or any earlier redemption or repayment date of a floating rate debt security falls on a day that is not a business day, the payment of principal, premium, if any, and interest, if any, will be made on the next succeeding business day, but interest on that payment will not accrue during the period from and after the maturity, redemption or repayment date.

Base Rates

CD Rate Debt Securities. CD rate debt securities will bear interest at the interest rates specified in the CD rate debt securities and in the applicable prospectus supplement. Those interest rates will be based on the CD rate and any spread and/or spread multiplier and will be subject to the minimum interest rate and the maximum interest rate, if any.

The "CD rate" means, for any interest determination date, the rate on that date for negotiable U.S. dollar certificates of deposit having the index maturity specified in the applicable prospectus supplement as published by the Board of Governors of the Federal Reserve System in "Statistical Release H.15(519), Selected Interest Rates," or any successor publication of the Board of Governors of the Federal Reserve System ("H.15(519)") under the heading "CDs (Secondary Market)."

The following procedures will be followed if the CD rate cannot be determined as described above:

- If the above rate is not published in H.15(519) by 3:00 p.m., New York City time, on the calculation date, the CD rate will be the rate on that interest determination date set forth in the daily update of H.15(519), available through the world wide website of the Board of Governors of the Federal Reserve System at http://www.federalreserve.gov/releases/h15/update, or any successor site or publication, which is commonly referred to as the "H.15 Daily Update," for the interest determination date for certificates of deposit having the index maturity specified in the applicable prospectus supplement, under the caption "CDs (Secondary Market)."
- If the above rate is not yet published in either H.15(519) or the H.15 Daily Update by 3:00 p.m., New York City time, on the calculation date, the calculation agent will determine the CD rate to be the arithmetic mean of the secondary market offered rates as of 10:00 a.m., New York City time, on that interest determination date of three leading nonbank dealers in negotiable U.S. dollar certificates of deposit in The City of New York, which may include the agent and its affiliates, selected by the calculation agent, after consultation with us, for negotiable U.S. dollar certificates of deposit of major U.S. money center banks of the highest credit standing in the market for negotiable certificates of deposit with a remaining maturity closest to the index maturity specified in the applicable prospectus supplement in an amount that is representative for a single transaction in that market at that time.
- If the dealers selected by the calculation agent are not quoting as set forth above, the CD rate for that interest determination date will remain the CD rate for the immediately preceding interest reset period, or, if there was no interest reset period, the rate of interest payable will be the initial interest rate.

Commercial Paper Rate Debt Securities. Commercial paper rate debt securities will bear interest at the interest rates specified in the commercial paper rate debt securities and in the applicable prospectus supplement. Those interest rates will be based on the commercial paper rate and any spread and/or spread multiplier and will be subject to the minimum interest rate and the maximum interest rate, if any.

The "commercial paper rate" means, for any interest determination date, the money market yield, calculated as described below, of the rate on that date for U.S dollar commercial paper having the index maturity specified in the applicable prospectus supplement, as that rate is published in H.15(519), under the heading "Commercial Paper—Nonfinancial."

The following procedures will be followed if the commercial paper rate cannot be determined as described above:

- If the above rate is not published by 3:00 p.m., New York City time, on the calculation date, then the commercial paper rate will be the money market yield of the rate on that interest determination date for commercial paper of the index maturity specified in the applicable prospectus supplement as published in the H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the heading "Commercial Paper—Nonfinancial."

- If by 3:00 p.m., New York City time, on that calculation date the rate is not yet published in either H.15(519) or the H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, then the calculation agent will determine the commercial paper rate to be the money market yield of the arithmetic mean of the offered rates as of 11:00 a.m., New York City time, on that interest determination date of three leading dealers of U.S. dollar commercial paper in The City of New York, which may include the agent and its affiliates, selected by the calculation agent, after consultation with us, for commercial paper of the index maturity specified in the applicable prospectus supplement, placed for an industrial issuer whose bond rating is "Aa," or the equivalent, from a nationally recognized statistical rating agency.

- If the dealers selected by the calculation agent are not quoting as set forth above, the commercial paper rate for that interest determination date will remain the commercial paper rate for the immediately preceding interest reset period, or, if there was no interest reset period, the rate of interest payable will be the initial interest rate.

The "money market yield" will be a yield calculated in accordance with the following formula:

$$\text{money market yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per year rate for commercial paper quoted on a bank discount basis and expressed as a decimal and "M" refers to the actual number of days in the interest period for which interest is being calculated.

EURIBOR Debt Securities. EURIBOR debt securities will bear interest at the interest rates specified in the EURIBOR debt securities and in the applicable prospectus supplement. That interest rate will be based on EURIBOR and any spread and/or spread multiplier and will be subject to the minimum interest rate and the maximum interest rate, if any.

"EURIBOR" means, for any interest determination date, the rate for deposits in euros as sponsored, calculated and published jointly by the European Banking Federation and ACI - The Financial Market Association, or any company established by the joint sponsors for purposes of compiling and publishing those rates, for the index maturity specified in the applicable prospectus supplement as that rate appears on the display on Reuters 3000 Xtra Service ("Reuters"), or any successor service, on page EURIBOR01 or any other page as may replace page EURIBOR01 on that service, which is commonly referred to as "Reuters Page EURIBOR01" as of 11:00 a.m., Brussels time.

The following procedures will be followed if the rate cannot be determined as described above:

- If the above rate does not appear, the calculation agent will request the principal Euro-zone office of each of four major banks in the Euro-zone interbank market, as selected by the calculation agent, after consultation with us, to provide the calculation agent with its offered rate for deposits in euros, at approximately 11:00 a.m., Brussels time, on the interest determination date, to prime banks in the Euro-zone interbank market for the index maturity specified in the applicable prospectus supplement commencing on the applicable interest reset date, and in a principal amount not less than the equivalent of U.S.$1 million in euro that is representative of a single transaction in euro, in that market at that time. If at least two quotations are provided, EURIBOR will be the arithmetic mean of those quotations.

- If fewer than two quotations are provided, EURIBOR will be the arithmetic mean of the rates quoted by four major banks in the Euro-zone interbank market, as selected by the calculation agent, after consultation with us, at approximately 11:00 a.m., Brussels time, on the applicable interest reset date for loans in euro to leading European banks for a period of time equivalent to the index maturity specified in the applicable prospectus supplement commencing on that interest reset date in a principal amount not less than the equivalent of U.S.$1 million in euro.

- If the banks so selected by the calculation agent are not quoting as set forth above, EURIBOR for that interest determination date will remain EURIBOR for the immediately preceding interest reset period, or, if there was no interest reset period, the rate of interest payable will be the initial interest rate.

"Euro-zone" means the region comprising Member States of the European Union that have adopted the single currency in accordance with the relevant treaty of the European Union, as amended.

Federal Funds Rate Debt Securities. Federal funds rate debt securities will bear interest at the interest rates specified in the federal funds rate debt securities and in the applicable prospectus supplement. Those interest rates will be based on the federal funds rate and any spread and/or spread multiplier and will be subject to the minimum interest rate and the maximum interest rate, if any.

The "federal funds rate" means, for any interest determination date, the rate on that date for U.S. dollar federal funds as published in H.15(519) under the heading "Federal Funds (Effective)" as displayed on Reuters, or any successor service, on page FEDFUNDS1 or any other page as may replace the applicable page on that service, which is commonly referred to as "Reuters Page FEDFUNDS1."

The following procedures will be followed if the federal funds rate cannot be determined as described above:

- If the above rate is not published by 3:00 p.m., New York City time, on the calculation date, the federal funds rate will be the rate on that interest determination date as published in the H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the heading "Federal Funds (Effective)."

- If the above rate is not yet published in either H.15(519) or the H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, by 3:00 p.m., New York City time, on the calculation date, the calculation agent will determine the federal funds rate to be the arithmetic mean of the rates for the last transaction in overnight U.S. dollar federal funds prior to 9:00 a.m., New York City time, on that interest determination date, by each of three leading brokers of U.S. dollar federal funds transactions in The City of New York, which may include the agent and its affiliates, selected by the calculation agent, after consultation with us.

- If the brokers selected by the calculation agent are not quoting as set forth above, the federal funds rate for that interest determination date will remain the federal funds rate for the immediately preceding interest reset period, or, if there was no interest reset period, the rate of interest payable will be the initial interest rate.

Federal Funds (Open) Rate Debt Securities. Federal funds (open) rate debt securities will bear interest at the interest rates specified in the federal funds (open) rate debt securities and in the applicable prospectus supplement. Those interest rates will be based on the federal funds (open) rate and any spread and/or spread multiplier and will be subject to the minimum interest rate and the maximum interest rate, if any.

The "federal funds (open) rate" means, for any interest determination date, the rate on that date for U.S. dollar federal funds as published in H.15(519) under the heading "Federal Funds (Open)" as displayed on Reuters, or any successor service, on page 5 or any other page as may replace the applicable page on that service, which is commonly referred to as "Reuters Page 5."

The following procedures will be followed if the federal funds (open) rate cannot be determined as described above:

- If the above rate is not published by 3:00 p.m., New York City time, on the calculation date, the federal funds (open) rate will be the rate on that interest determination date as published in the H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the heading "Federal Funds (Open)."

- If the above rate is not yet published in either H.15(519) or the H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, by 3:00 p.m., New York City time, on the calculation date, the calculation agent will determine the federal funds (open) rate to be the arithmetic mean of the rates for the last transaction in overnight U.S. dollar federal funds (based on the federal funds (open) rate) prior to 9:00 a.m., New York City time, on that interest determination date, by each of three leading brokers of U.S. dollar federal funds transactions in The City of New York, which may include the agent and its affiliates, selected by the calculation agent, after consultation with us.
- If the brokers selected by the calculation agent are not quoting as set forth above, the federal funds (open) rate for that interest determination date will remain the federal funds (open) rate for the immediately preceding interest reset period, or, if there was no interest reset period, the rate of interest payable will be the initial interest rate.

LIBOR Debt Securities. LIBOR debt securities will bear interest at the interest rates specified in the LIBOR debt securities and in the applicable prospectus supplement. That interest rate will be based on London Interbank Offered Rate, which is commonly referred to as "LIBOR," and any spread and/or spread multiplier and will be subject to the minimum interest rate and the maximum interest rate, if any.

"LIBOR" means, for any interest determination date, the arithmetic mean of the offered rates for deposits in the index currency having the index maturity designated in the applicable prospectus supplement, commencing on the second London banking day immediately following that interest determination date or, if pounds sterling is the index currency, commencing on that interest determination date, that appear on the Designated LIBOR Page as of 11:00 a.m., London time, on that interest determination date, if at least two offered rates appear on the Designated LIBOR Page, provided that if the specified Designated LIBOR Page, as defined below, by its terms provides only for a single rate, that single rate will be used.

- If (i) fewer than two offered rates appear or (ii) no rate appears and the Designated LIBOR Page by its terms provides only for a single rate, then the calculation agent will request the principal London offices of each of four major reference banks in the London interbank market, as selected by the calculation agent, after consultation with us, to provide the calculation agent with its offered quotation for deposits in the index currency for the period of the index maturity specified in the applicable prospectus supplement commencing on the second London banking day immediately following the interest determination date or, if pounds sterling is the index currency, commencing on that interest determination date, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on that interest determination date and in a principal amount that is representative of a single transaction in that index currency in that market at that time. If at least two quotations are provided, LIBOR determined on that interest determination date will be the arithmetic mean of those quotations.
- If fewer than two quotations are provided, as described in the prior paragraph, LIBOR will be determined for the applicable interest reset date as the arithmetic mean of the rates quoted at approximately 11:00 a.m., or some other time specified in the applicable prospectus supplement, in the applicable principal financial center for the country of the index currency on that interest reset date, by three major banks in that principal financial center selected by the calculation agent, after consultation with us, for loans in the index currency to leading European banks, having the index maturity specified in the applicable prospectus supplement and in a principal amount that is representative of a single transaction in that index currency in that market at that time.
- If the banks so selected by the calculation agent are not quoting as set forth above, LIBOR for that interest determination date will remain LIBOR for the immediately preceding interest reset period, or, if there was no interest reset period, the rate of interest payable will be the initial interest rate.

The "index currency" means the currency specified in the applicable prospectus supplement as the currency for which LIBOR will be calculated, or, if the euro is substituted for that currency, the index currency will be the euro. If that currency is not specified in the applicable prospectus supplement, the index currency will be U.S. dollars.

"Designated LIBOR Page" means the display on Reuters, or any successor service, on page LIBOR01, or any other page as may replace that page on that service, for the purpose of displaying the London interbank rates of major banks for the applicable index currency.

Prime Rate Debt Securities. Prime rate debt securities will bear interest at the interest rates specified in the prime rate debt securities and in the applicable prospectus supplement. That interest rate will be based on the prime rate and any spread and/or spread multiplier, and will be subject to the minimum interest rate and the maximum interest rate, if any.

The "prime rate" means, for any interest determination date, the rate on that date as published in H.15(519) under the heading "Bank Prime Loan."

The following procedures will be followed if the prime rate cannot be determined as described above:

- If the above rate is not published prior to 3:00 p.m., New York City time, on the calculation date, then the prime rate will be the rate on that interest determination date as published in the H.15 Daily Update under the heading "Bank Prime Loan."

- If the above rate is not published in either H.15(519) or the H.15 Daily Update by 3:00 p.m., New York City time, on the calculation date, the calculation agent will determine the prime rate to be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Page US PRIME 1, as defined below, as that bank's prime rate or base lending rate as in effect for that interest determination date.

- If fewer than four rates for that interest determination date appear on the Reuters Page US PRIME 1 by 3:00 p.m., New York City time, on the calculation date, the calculation agent will determine the prime rate to be the arithmetic mean of the prime rates quoted on the basis of the actual number of days in the year divided by 360 as of the close of business on that interest determination date by at least three major banks in The City of New York, which may include affiliates of the agent, selected by the calculation agent, after consultation with us.

- If the banks selected by the calculation agent are not quoting as set forth above, the prime rate for that interest determination date will remain the prime rate for the immediately preceding interest reset period, or, if there was no interest reset period, the rate of interest payable will be the initial interest rate.

"Reuters Page US PRIME 1" means the display designated as page "US PRIME 1" on Reuters, or any successor service, or any other page as may replace the US PRIME 1 page on that service for the purpose of displaying prime rates or base lending rates of major U.S. banks.

Treasury Rate Debt Securities. Treasury rate debt securities will bear interest at the interest rates specified in the Treasury rate debt securities and in the applicable prospectus supplement. That interest rate will be based on the Treasury rate and any spread and/or spread multiplier and will be subject to the minimum interest rate and the maximum interest rate, if any.

The "Treasury rate" means:

- the rate from the auction held on the applicable interest determination date, which we refer to as the "auction," of direct obligations of the United States, which are commonly referred to as "Treasury Bills," having the index maturity specified in the applicable prospectus supplement as that rate appears under the caption "INVESTMENT RATE" on the display on Reuters, or any successor service, on page USAUCTION10 or any other page as may replace page USAUCTION10 on that service, which we refer to as "Reuters Page USAUCTION10," or on page USAUCTION11 or any other page as may replace page USAUCTION11 on that service, which we refer to as "Reuters Page USAUCTION11"; or

- if the rate described in the first bullet point is not published by 3:00 p.m., New York City time, on the related calculation date, the bond equivalent yield of the auction rate of the applicable Treasury Bills, announced by the United States Department of the Treasury; or

- if the rate referred to in the second bullet point is not announced by the United States Department of the Treasury, or if the auction is not held, the bond equivalent yield of the auction rate on the applicable interest determination date of Treasury Bills having the index maturity specified in the applicable prospectus supplement published in H.15(519) under the caption "U.S. Government Securities/Treasury Bills/Secondary Market"; or

- if the rate referred to in the third bullet point is not so published by 3:00 p.m., New York City time, on the related calculation date, the rate on the applicable interest determination date of the applicable Treasury Bills as published in the H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption "U.S. Government Securities/Treasury Bills/Secondary Market"; or

- if the rate referred to in the fourth bullet point is not so published by 3:00 p.m., New York City time, on the related calculation date, the rate on the applicable interest determination date calculated by the calculation agent as the bond equivalent yield of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 p.m., New York City time, on the applicable interest determination date, of three primary U.S. government securities dealers, which may include the agent and its affiliates, selected by the calculation agent, for the issue of Treasury Bills with a remaining maturity closest to the index maturity specified in the applicable prospectus supplement; or

- if the dealers selected by the calculation agent are not quoting as set forth above, the Treasury rate for that interest determination date will remain the Treasury rate for the immediately preceding interest reset period, or, if there was no interest reset period, the rate of interest payable will be the initial interest rate.

The "bond equivalent yield" means a yield calculated in accordance with the following formula and expressed as a percentage:

$$\text{bond equivalent yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis, "N" refers to 365 or 366, as the case may be, and "M" refers to the actual number of days in the interest period for which interest is being calculated.

CMT Rate Debt Securities. CMT rate debt securities will bear interest at the interest rates specified in the CMT rate debt securities and in the applicable prospectus supplement. That interest rate will be based on the CMT rate and any spread and/or spread multiplier and will be subject to the minimum interest rate and the maximum interest rate, if any.

The "CMT rate" means, for any interest determination date, any of the following rates displayed on the Designated CMT Reuters Page, as defined below, under the caption "... Treasury Constant Maturities ... Federal Reserve Board Release H.15... Mondays Approximately 3:45 p.m.," under the column for the Designated CMT Maturity Index, as defined below, for:

- the rate on that interest determination date, if the Designated CMT Reuters Page is FRBCMT; and

- the week or the month, as applicable, ended immediately preceding the week in which the related interest determination date occurs, if the Designated CMT Reuters Page is FEDCMT.

The following procedures will be followed if the CMT rate cannot be determined as described above:

- If the above rate is no longer displayed on the relevant page, or if not displayed by 3:00 p.m., New York City time, on the related calculation date, then the CMT rate will be the Treasury Constant Maturities rate for the Designated CMT Maturity Index as published in the relevant H.15(519).

- If the above rate described in the first bullet point is no longer published, or if not published by 3:00 p.m., New York City time, on the related calculation date, then the CMT rate will be the Treasury Constant

Maturities rate for the Designated CMT Maturity Index or other U.S. Treasury rate for the Designated CMT Maturity Index on the interest determination date for the related interest reset date as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the calculation agent determines to be comparable to the rate formerly displayed on the Designated CMT Reuters Page and published in the relevant H.15(519).

- If the information described in the second bullet point is not provided by 3:00 p.m., New York City time, on the related calculation date, then the calculation agent will determine the CMT rate to be a yield to maturity, based on the arithmetic mean of the secondary market closing offer side prices as of approximately 3:30 p.m., New York City time, on the interest determination date, reported, according to their written records, by three leading primary U.S. government securities dealers, which we refer to as a "reference dealer," in The City of New York, which may include the agent or another affiliate of ours, selected by the calculation agent as described in the following sentence. The calculation agent will select five reference dealers, after consultation with us, and will eliminate the highest quotation or, in the event of equality, one of the highest, and the lowest quotation or, in the event of equality, one of the lowest, for the most recently issued direct noncallable fixed rate obligations of the United States, which are commonly referred to as "Treasury notes," with an original maturity of approximately the Designated CMT Maturity Index, a remaining term to maturity of no more than 1 year shorter than that Designated CMT Maturity Index and in a principal amount that is representative for a single transaction in the securities in that market at that time. If two Treasury notes with an original maturity as described above have remaining terms to maturity equally close to the Designated CMT Maturity Index, the quotes for the Treasury note with the shorter remaining term to maturity will be used.

- If the calculation agent cannot obtain three Treasury notes quotations as described in the immediately preceding bullet, the calculation agent will determine the CMT rate to be a yield to maturity based on the arithmetic mean of the secondary market offer side prices as of approximately 3:30 p.m., New York City time, on the interest determination date of three reference dealers in The City of New York, selected using the same method described in the immediately preceding paragraph, for Treasury notes with an original maturity equal to the number of years closest to but not less than the Designated CMT Maturity Index and a remaining term to maturity closest to the Designated CMT Maturity Index and in a principal amount that is representative for a single transaction in the securities in that market at that time.

- If three or four, and not five, of the reference dealers are quoting as described above, then the CMT rate will be based on the arithmetic mean of the offer prices obtained and neither the highest nor the lowest of those quotes will be eliminated.

- If fewer than three reference dealers selected by the calculation agent are quoting as described above, the CMT rate for that interest determination date will remain the CMT rate for the immediately preceding interest reset period, or, if there was no interest reset period, the rate of interest payable will be the initial interest rate.

"Designated CMT Reuters Page" means the display on Reuters, or any successor service, on the page designated in the applicable prospectus supplement or any other page as may replace that page on that service for the purpose of displaying Treasury Constant Maturities as reported in H.15(519). If no Reuters page is specified in the applicable prospectus supplement, the Designated CMT Reuters Page will be FEDCMT, for the most recent week.

"Designated CMT Maturity Index" means the original period to maturity of the U.S. Treasury securities, which is either 1, 2, 3, 5, 7, 10, 20 or 30 years, as specified in the applicable prospectus supplement, for which the CMT rate will be calculated. If no maturity is specified in the applicable prospectus supplement, the Designated CMT Maturity Index will be two years.

Redemption and Repurchase of Debt Securities

Optional Redemption by Morgan Stanley. If applicable, the prospectus supplement will indicate the terms of our option to redeem the debt securities.

Notice of Redemption. We will mail a notice of redemption to each holder or, in the case of global debt securities, to the Depositary, as holder of the global debt securities, by first-class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption, or within the redemption notice period designated in the applicable prospectus supplement, to the address of each holder as that address appears upon the books maintained by the paying agent. The debt securities, except for amortizing debt securities, will not be subject to any sinking fund.

Optional Make-whole Redemption of Debt Securities. If specified in the applicable prospectus supplement, we may redeem any such debt securities in whole at any time or in part from time to time, at our option, at a make-whole redemption price equal to the greater of:

- 100% of the principal amount of the debt securities to be redeemed, and
- the sum of the present values of the remaining scheduled payments of principal and interest on the debt securities to be redeemed (not including any portion of such payments of interest accrued to the date of redemption) discounted to the date of redemption on a semiannual basis (assuming, unless otherwise specified in the applicable prospectus supplement, a 360-day year consisting of twelve 30-day months) at the treasury rate, plus a spread as indicated in the applicable prospectus supplement, as calculated by the premium calculation agent (as defined below);

plus, in either case, accrued and unpaid interest on the principal amount being redeemed to the redemption date.

"treasury rate" means, with respect to any redemption date:

- the yield, under the heading that represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding to the comparable treasury issue (if no maturity is within three months before or after the remaining life (as defined below), yields for the two published maturities most closely corresponding to the comparable treasury issue will be determined and the treasury rate will be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month); or
- if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semiannual equivalent yield to maturity of the comparable treasury issue, calculated using a price for the comparable treasury issue (expressed as a percentage of its principal amount) equal to the comparable treasury price for such redemption date.

The treasury rate will be calculated on the third business day preceding the redemption date.

We will mail a notice of redemption to the Depositary, as holder of the debt securities by first-class mail at least 30 and not more than 60 days prior to the date fixed for redemption in such notice, or within such other notice period as may be indicated in the applicable prospectus supplement. Unless we default on payment of the redemption price, interest will cease to accrue on the debt securities or portions thereof called for redemption on the applicable redemption date. If fewer than all of the debt securities of a particular series of debt securities are to be redeemed, the trustee will select, not more than 60 days (or such other indicated period) prior to the redemption date, the particular debt securities or portions thereof for redemption from the outstanding debt securities of such series not previously called for redemption by such method as the trustee deems fair and appropriate.

"premium calculation agent" means Morgan Stanley & Co. LLC, or if that firm is unwilling or unable to select the comparable treasury issue, an investment banking institution of national standing appointed by us.

"comparable treasury issue" means the U.S. Treasury security selected by the premium calculation agent as having a maturity comparable to the remaining term ("remaining life") of the debt securities to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such debt securities to be redeemed.

“comparable treasury price” means, with respect to a redemption date (1) the average of five reference treasury dealer quotations for such redemption date, after excluding the highest and lowest reference treasury dealer quotations, or (2) if the premium calculation agent obtains fewer than five such reference treasury dealer quotations, the average of all such quotations.

“reference treasury dealer” means (1) Morgan Stanley & Co. LLC and its successors, provided, however, that if the foregoing shall cease to be a primary U.S. government securities dealer in New York City (a “primary treasury dealer”) we will substitute therefor another primary treasury dealer and (2) any other primary treasury dealers selected by the premium calculation agent after consultation with us.

“reference treasury dealer quotations” means, with respect to each reference treasury dealer and any redemption date, the average, as determined by the premium calculation agent, of the bid and asked prices for the comparable treasury issue (expressed in each case as a percentage of its principal amount) quoted in writing to the premium calculation agent at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

Because Morgan Stanley & Co. LLC is our affiliate, the economic interests of Morgan Stanley & Co. LLC may be adverse to your interests as an owner of the debt securities subject to our redemption, including with respect to certain determinations and judgments that it must make as premium calculation agent in the event we redeem such debt securities before their maturity. Morgan Stanley & Co. LLC is obligated to carry out its duties and functions as premium calculation agent in good faith and using its reasonable judgment.

We will notify the relevant trustee of the redemption price promptly after the calculation thereof and such trustee will have no responsibility for calculating the redemption price.

Repayment at Option of Holder. If applicable, the prospectus supplement relating to a series of debt securities will indicate that the holder has the option to have us repay the debt security on a date or dates specified prior to its maturity date. The repayment price will be equal to 100% of the principal amount of the debt security, together with accrued interest to the date of repayment. For debt securities issued with original issue discount, the prospectus supplement will specify the amount payable upon repayment.

For us to repay a debt security, the paying agent must receive at least 15 days but not more than 30 days prior to the repayment date:

- the debt security with the form entitled “Option to Elect Repayment” on the reverse of the debt security duly completed; or

- a telegram, telex, facsimile transmission or a letter from a member of a national securities exchange, or the Financial Industry Regulatory Authority, Inc. or a commercial bank or trust company in the United States setting forth the name of the holder of the debt security, the principal amount of the debt security, the principal amount of the debt security to be repaid, the certificate number or a description of the tenor and terms of the debt security, a statement that the option to elect repayment is being exercised and a guarantee that the debt security to be repaid, together with the duly completed form entitled “Option to Elect Repayment” on the reverse of the debt security, will be received by the paying agent not later than the fifth business day after the date of that telegram, telex, facsimile transmission or letter. However, the telegram, telex, facsimile transmission or letter will only be effective if that debt security and form duly completed are received by the paying agent by the fifth business day after the date of that telegram, telex, facsimile transmission or letter.

Exercise of the repayment option by the holder of a debt security will be irrevocable. The holder may exercise the repayment option for less than the entire principal amount of the debt security but, in that event, the principal amount of the debt security remaining outstanding after repayment must be an authorized denomination.

Special Requirements for Optional Repayment of Global Debt Securities. If a debt security is represented by a registered global debt security, the Depositary or the Depositary’s nominee will be the holder of the debt security and therefore will be the only entity that can exercise a right to repayment. In order to ensure that the Depositary’s nominee will timely exercise a right to repayment of a particular debt security, the beneficial owner of the debt security must instruct the broker or other direct or indirect participant through which it holds an interest in the debt security to notify the Depositary of its desire to exercise a right to repayment. Different firms have different cut-off times for accepting instructions from their customers and, accordingly, each beneficial owner should consult the broker or other direct or indirect participant through which it holds an interest in a debt security in order to ascertain the cut-off time by which an instruction must be given in order for timely notice to be delivered to the Depositary.

Open Market Purchases by Morgan Stanley. We may purchase debt securities at any price in the open market or otherwise. Debt securities so purchased by us may, at our discretion, be held or resold or surrendered to the relevant trustee for cancellation.

Indentures

Debt securities that will be senior debt will be issued under a Senior Indenture dated as of November 1, 2004 between Morgan Stanley and The Bank of New York Mellon, a New York banking corporation (as successor to JPMorgan Chase Bank, N.A.) as trustee. We call that indenture, as it may be supplemented from time to time, the Senior Debt Indenture. Debt securities that will be subordinated debt will be issued under a Subordinated Indenture dated as of October 1, 2004 between Morgan Stanley and The Bank of New York Mellon, a New York banking corporation (as successor to J.P. Morgan Trust Company, National Association), as trustee. We call that indenture, as it may be supplemented from time to time, the Subordinated Debt Indenture. We refer to The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.) and The Bank of New York Mellon (as successor to J.P. Morgan Trust Company, National Association), individually as a "trustee" and collectively as the "trustees."

Subordination Provisions

Holders of subordinated debt securities should recognize that contractual provisions in the Subordinated Debt Indenture may prohibit us from making payments on these securities. Subordinated debt securities are subordinate and junior in right of payment, to the extent and in the manner stated in the Subordinated Debt Indenture, to all of our senior indebtedness. The Subordinated Debt Indenture defines senior indebtedness as (i) obligations of, or guaranteed or assumed by, Morgan Stanley for borrowed money or evidenced by bonds, debentures, notes or other similar instruments, and amendments, renewals, extensions, modifications and refundings of any of that indebtedness or of those obligations and (ii) if provided in the supplemental indenture under which a series of debt securities is issued or in the form of debt security for such series, any additional obligations that Morgan Stanley determines to include within the definition of senior indebtedness in order to assure that the debt securities of such series will be accorded the regulatory capital recognition desired by Morgan Stanley in accordance with Rule 15c3-1 under the Securities Exchange Act of 1934, as amended, or any other rule or regulation governing the definition of capital that is applicable to Morgan Stanley or its affiliates. Nonrecourse obligations, the subordinated debt securities and any other obligations specifically designated as being subordinate in right of payment to senior indebtedness are not senior indebtedness as defined under the Subordinated Debt Indenture. (Subordinated Debt Indenture, Section 1.01).

The Subordinated Debt Indenture provides that, unless all principal of and any premium or interest on the senior indebtedness has been paid in full, or provision has been made to make these payments in full, no payment of principal of, or any premium or interest on, any subordinated debt securities may be made in the event:

- of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings involving us or a substantial part of our property;

- that (a) a default has occurred in the payment of principal, any premium, interest or other monetary amounts due and payable on any senior indebtedness or (b) there has occurred any other event of default concerning senior indebtedness that permits the holder or holders of the senior indebtedness to accelerate the maturity of the senior indebtedness, with notice or passage of time, or both, and that event of default has continued beyond the applicable grace period, if any, and that default or event of default has not been cured or waived or has not ceased to exist; or

- that the principal of and accrued interest on any subordinated debt securities have been declared due and payable upon an event of default as defined under the Subordinated Debt Indenture and that declaration has not been rescinded and annulled as provided under the Subordinated Debt Indenture. (Subordinated Debt Indenture, Section 13.01).

We currently have outstanding subordinated debt securities, which were issued under an amended and restated subordinated indenture, dated May 1, 1999, between us and The Bank of New York Mellon (as successor to J.P. Morgan Trust Company, National Association (as successor in interest to Bank One Trust Company, N.A., successor to The First National Bank of Chicago)) as trustee, with terms and conditions substantially similar to those of the subordinated debt securities described in this prospectus. At September 30, 2011, there was $4 billion aggregate principal amount of such subordinated debt securities outstanding. Those subordinated debt securities contain certain acceleration provisions that could be triggered prior to the acceleration provisions of the subordinated debt securities described in this prospectus. Accordingly, the outstanding amount of those subordinated debt securities could become due and payable by acceleration prior to the subordinated debt securities described in this prospectus.

Covenants Restricting Pledges, Mergers and Other Significant Corporate Actions

Negative Pledge. Because we are a holding company, our assets consist primarily of the securities of our subsidiaries. The negative pledge provisions of the Senior Debt Indenture limit our ability to pledge some of these securities. The Senior Debt Indenture provides that we will not, and will not permit any subsidiary to, create, assume, incur or guarantee any indebtedness for borrowed money that is secured by a pledge, lien or other encumbrance except for liens specifically permitted by the Senior Debt Indenture on:

- the voting securities of Morgan Stanley & Co. LLC, Morgan Stanley & Co. International plc or any subsidiary succeeding to any substantial part of the business now conducted by any of those corporations, which we refer to collectively as the “principal subsidiaries,” or

- the voting securities of a subsidiary that owns, directly or indirectly, the voting securities of any of the principal subsidiaries, other than directors’ qualifying shares,

without making effective provisions so that the debt securities issued under the Senior Debt Indenture will be secured equally and ratably with indebtedness so secured.

For these purposes, “subsidiary” means any corporation, partnership or other entity of which at the time of determination we own or control directly or indirectly more than 50% of the shares of the voting stock or equivalent interest, and “voting securities” means stock of any class or classes having general voting power under ordinary circumstances to elect a majority of the board of directors, managers or trustees of the relevant subsidiary, other than stock that carries only the conditional right to vote upon the happening of an event, whether or not that event has happened. (Senior Debt Indenture, Section 3.06).

The Subordinated Debt Indenture does not include negative pledge provisions.

Merger, Consolidation, Sale, Lease or Conveyance. Each indenture provides that we will not merge or consolidate with any other person and will not sell, lease or convey all or substantially all of our assets to any other person, unless:

- we will be the continuing corporation; or

- the successor corporation or person that acquires all or substantially all of our assets:

  - will be a corporation organized under the laws of the United States, a state of the United States or the District of Columbia; and

  - will expressly assume all of our obligations under the indenture and the debt securities issued under the indenture; and

- immediately after the merger, consolidation, sale, lease or conveyance, we, that person or that successor corporation will not be in default in the performance of the covenants and conditions of the indenture applicable to us. (Indentures, Section 9.01).

Absence of Protections against All Potential Actions of Morgan Stanley. There are no covenants or other provisions in the indentures that would afford holders of debt securities additional protection in the event of a recapitalization transaction, a change of control of Morgan Stanley or a highly leveraged transaction. The merger covenant described above would only apply if the recapitalization transaction, change of control or highly leveraged transaction were structured to include a merger or consolidation of Morgan Stanley or a sale, lease or conveyance of all or substantially all of our assets. However, we may provide specific protections, such as a put right or increased interest, for particular debt securities, which we would describe in the applicable prospectus supplement.

Events of Default

The indentures provide holders of debt securities with remedies if we fail to perform specific obligations or if we become bankrupt. Holders should review these provisions and understand which of our actions trigger an event of default and which actions do not. Each indenture permits the issuance of debt securities in one or more series, and, in many cases, whether an event of default has occurred is determined on a series by series basis.

An event of default is defined under the Senior Debt Indenture, with respect to any series of debt securities issued under that indenture, as being:

- default in payment of any principal of the debt securities of that series, either at maturity or upon any redemption, by declaration or otherwise;

- default for 30 days in payment of any interest on any debt securities of that series;

- default for 60 days after written notice in the observance or performance of any covenant or agreement in the debt securities of that series or the indenture (other than a covenant or warranty with respect to the debt securities of that series the breach or nonperformance of which is otherwise included in the definition of "event of default");

- events of bankruptcy, insolvency or reorganization; or

- any other event of default provided in the supplemental indenture under which that series of debt securities is issued. (Senior Debt Indenture, Section 5.01).

An event of default is defined under the Subordinated Debt Indenture, with respect to any series of debt securities issued under that indenture, as being:

- events of bankruptcy, insolvency or reorganization; or

- any other event of default provided in the supplemental indenture under which that series of debt securities is issued. (Subordinated Debt Indenture, Section 5.01).

Unless otherwise stated in the applicable prospectus supplement, the debt securities issued under either indenture will not have the benefit of any cross-default or cross-acceleration provisions with our other indebtedness.

Acceleration of Debt Securities upon an Event of Default. The Senior Debt Indenture provides that:

- if an event of default due to the default in payment of principal of, or any premium or interest on, any series of debt securities issued under that indenture, or due to the default in the performance or breach of any other covenant or warranty of Morgan Stanley applicable to the debt securities of that series but not applicable to all outstanding debt securities issued under that indenture occurs and is continuing, either the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding debt securities of each affected series, voting as one class, by notice in writing to Morgan Stanley and to the trustee, if given by security holders, may declare the principal of all debt securities of all affected series and interest accrued thereon to be due and payable immediately; and

- if an event of default due to a default in the performance of any other covenants or agreements in that indenture applicable to all outstanding debt securities issued under that indenture or due to specified events of bankruptcy, insolvency or reorganization of Morgan Stanley, occurs and is continuing, either the trustee or the holders of not less than 25% in aggregate principal amount of all outstanding debt securities issued under that indenture, voting as one class, by notice in writing to Morgan Stanley and to the trustee, if given by security holders, may declare the principal of all those debt securities and interest accrued thereon to be due and payable immediately. (Senior Debt Indenture, Section 5.01).

Unless otherwise stated in the applicable prospectus supplement, debt securities issued under the Senior Debt Indenture will have the benefit of these acceleration provisions.

The Subordinated Debt Indenture provides that:

- if an event of default applicable to the debt securities of that series but not applicable to all outstanding debt securities issued under that indenture occurs and is continuing, either the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding debt securities of each affected series, voting as one class, by notice in writing to Morgan Stanley and to the trustee, if given by security holders, may declare the principal of all debt securities of all affected series and interest accrued thereon to be due and payable immediately; and

- if an event of default due to specified events of bankruptcy, insolvency or reorganization of Morgan Stanley, occurs and is continuing, or if an event of default applicable to all outstanding debt securities issued under that indenture is provided in the supplemental indenture under which such series of debt securities is issued or in the form of debt securities for such series and such event of default has occurred and is continuing, either the trustee or the holders of not less than 25% in aggregate principal amount of all outstanding debt securities issued under that indenture, voting as one class, by notice in writing to Morgan Stanley and to the trustee, if given by security holders, may declare the principal of all those debt securities and interest accrued thereon to be due and payable immediately. (Subordinated Debt Indenture, Section 5.01).

Annulment of Acceleration and Waiver of Defaults. The Senior Debt Indenture provides that:

In some circumstances, if any and all events of default under the indenture, other than the non-payment of the principal of the securities that has become due as a result of an acceleration, have been cured, waived or otherwise remedied, then the holders of a majority in aggregate principal amount of all series of outstanding debt securities affected, voting as one class, may waive past defaults and rescind and annul past declarations of acceleration of the debt securities. (Senior Debt Indenture, Section 5.01).

Prior to the acceleration of any debt securities, the holders of a majority in aggregate principal amount of all series of outstanding debt securities with respect to which an event of default has occurred and is continuing, voting as one class, may waive any past default or event of default, other than a default in the payment of principal or interest (unless such default has been cured and an amount sufficient to pay all matured installments of interest and principal due otherwise than by acceleration has been deposited with the trustee) or a default in respect of a covenant or provision in the indenture that cannot be modified or amended without the consent of the holder of each debt security affected. (Senior Debt Indenture, Section 5.10).

The Subordinated Debt Indenture provides that:

In some circumstances, if any and all defaults (as defined below) under the indenture, other than the non-payment of the principal of the securities that has become due as a result of an acceleration, have been cured, waived or otherwise remedied, then the holders of a majority in aggregate principal amount of all series of outstanding debt securities affected, voting as one class, may waive past defaults and rescind and annul past declarations of acceleration of the debt securities. (Subordinated Debt Indenture, Section 5.01).

Prior to the acceleration of any debt securities, the holders of a majority in aggregate principal amount of all series of outstanding debt securities with respect to which a default has occurred and is continuing, voting as one class, may waive any past default, other than a default in the payment of principal or interest (unless such default has been cured and an amount sufficient to pay all matured installments of interest and principal due otherwise than by acceleration has been deposited with the trustee) or a default in respect of a covenant or provision in the indenture that cannot be modified or amended without the consent of the holder of each debt security affected. (Subordinated Debt Indenture, Section 5.10).

Defaults. In the case of the Subordinated Debt Indenture, a default is defined, with respect to any series of debt securities issued under that indenture, as being:

- default in payment of any principal of the debt securities of that series, either at maturity or upon any redemption, by declaration or otherwise;
- default for 30 days in payment of any interest on any debt securities of that series;
- default for 60 days after written notice in the observance or performance of any covenant or agreement in the debt securities of that series or the indenture (other than a covenant or warranty with respect to the debt securities of that series the breach or nonperformance of which is otherwise included in the definition of "event of default" or "default");
- an event of default with respect to such series of debt securities; or
- any other default provided in the supplemental indenture under which that series of debt securities is issued. (Subordinated Debt Indenture, Section 5.06).

There will be no event of default, and therefore no right of acceleration, in the case of a default in the performance of any covenant or obligation with respect to the debt securities issued under the Subordinated Debt Indenture, including a default in the payment of principal or interest. If a default in the payment of principal of, or any interest on, any series of debt securities issued under the Subordinated Debt Indenture occurs and is continuing and we fail to pay the full amount then due and payable with respect to all debt securities of the affected series immediately upon the demand of the trustee, the trustee is entitled to institute an action or proceeding to collect the amount due and unpaid. (Subordinated Debt Indenture, Section 5.02). If any default occurs and is continuing, the trustee may pursue legal action to enforce the performance of any provision in the indenture to protect the rights of the trustee and the holders of the debt securities issued under the Subordinated Debt Indenture. (Subordinated Debt Indenture, Section 5.04).

Indemnification of Trustee for Actions Taken on Your Behalf. Each indenture contains a provision entitling the trustee, subject to the duty of the trustee during a default to act with the required standard of care, to be indemnified by the holders of debt securities issued under that indenture before proceeding to exercise any trust or power at the request of holders. (Indentures, Section 6.02). Subject to these provisions and some other limitations, the holders of a majority in aggregate principal amount of each series of outstanding debt securities of each affected series, voting as one class, may direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power conferred on the trustee. (Indentures, Section 5.09).

Limitation on Actions by You as an Individual Holder. Each indenture provides that no individual holder of debt securities may institute any action against us under that indenture, except actions for payment of overdue principal and interest, unless the following actions have occurred:

- the holder must have previously given written notice to the trustee of the continuing default;
- the holders of not less than 25% in aggregate principal amount of the outstanding debt securities of each affected series, treated as one class, must have (1) requested the trustee to institute that action and (2) offered the trustee reasonable indemnity;
- the trustee must have failed to institute that action within 60 days after receipt of the request referred to above; and
- the holders of a majority in principal amount of the outstanding debt securities of each affected series, voting as one class, must not have given directions to the trustee inconsistent with those of the holders referred to above. (Indentures, Sections 5.06 and 5.09).

Annual Certification. Each indenture contains a covenant that we will file annually with the trustee a certificate of no default or a certificate specifying any default that exists. (Indentures, Section 3.05).

Discharge, Defeasance and Covenant Defeasance

We have the ability to eliminate most or all of our obligations on any series of debt securities prior to maturity if we comply with the following provisions. (Indentures, Section 10.01).

Discharge of Indenture. If at any time we have:

- paid or caused to be paid the principal of and interest on all of the outstanding debt securities in accordance with their terms;
- delivered to the applicable trustee for cancellation all of the outstanding debt securities; or
- irrevocably deposited with the applicable trustee cash or, in the case of a series of debt securities payable only in U.S. dollars, U.S. government obligations in trust for the benefit of the holders of any series of debt securities issued under the Indenture that have either become due and payable, or are by their terms due and payable within one year or are scheduled for redemption within one year, in an amount certified to be sufficient to pay on each date that they become due and payable, the principal of and interest on, and any mandatory sinking fund payments for, those debt securities;

and if, in any such case, we also pay or cause to be paid all other sums payable by us under the indenture with respect to the securities of such series, then the indenture shall cease to be of further effect with respect to the securities of such series, except as to certain rights and with respect to the transfer and exchange of securities, rights of the holders to receive payment and certain other rights and except that the deposit of cash or U.S. government obligations for the benefit of holders of a series of debt securities that are due and payable or are due and payable within one year or are scheduled for redemption within one year will discharge obligations under the relevant indenture relating only to that series of debt securities.

Defeasance of a Series of Securities at Any Time. We may also discharge all of our obligations, other than as to transfers and exchanges, under any series of debt securities at any time, which we refer to as "defeasance."

We may be released with respect to any outstanding series of debt securities from the obligations imposed by Sections 3.06 (in the case of the Senior Debt Indenture) and 9.01, which sections contain the covenants described above limiting liens and consolidations, mergers, asset sales and leases, and elect not to comply with those sections without creating an event of default or a default. Discharge under those procedures is called "covenant defeasance."

Defeasance or covenant defeasance may be effected only if, among other things:

- We irrevocably deposit with the relevant trustee cash or, in the case of debt securities payable only in U.S. dollars, U.S. government obligations, as trust funds in an amount certified to be sufficient to pay on each date that they become due and payable or a combination of the above sufficient to pay the principal of and interest on, and any mandatory sinking fund payments for, all outstanding debt securities of the series being defeased.
- We deliver to the relevant trustee an opinion of counsel to the effect that:
  - the holders of the series of debt securities being defeased will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance or covenant defeasance; and
  - the defeasance or covenant defeasance will not otherwise alter those holders' U.S. federal income tax treatment of principal and interest payments on the series of debt securities being defeased.

  In the case of a defeasance, but not in the case of covenant defeasance, this opinion must be based on a ruling of the Internal Revenue Service or a change in U.S. federal income tax law occurring after the date of this prospectus, since that result would not occur under current tax law.

- In the case of the Subordinated Debt Indenture:
  - no event or condition will exist that, under the provisions described under "—Subordination Provisions" above, would prevent us from making payments of principal or interest on the subordinated debt securities at the date of the irrevocable deposit referred to above or at any time during the period ending on the 91st day after that deposit date; and
  - we deliver to the trustee for the Subordinated Debt Indenture an opinion of counsel to the effect that (i) the trust funds will not be subject to any rights of holders of senior indebtedness and (ii) after the 91st day following the deposit, the trust funds will not be subject to any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally, except that if a court were to rule under any of those laws in any case or proceeding that the trust funds remained our property, then the relevant trustee and the holders of the subordinated debt securities would be entitled to some enumerated rights as secured creditors in the trust funds. (Subordinated Debt Indenture, Section 10.01).

Modification of the Indentures

Modification Without Consent of Holders. We and the relevant trustee may enter into supplemental indentures without the consent of the holders of debt securities issued under a particular indenture to:

- secure any debt securities;
- evidence the assumption by a successor corporation of our obligations;
- add covenants for the protection of the holders of debt securities;
- cure any ambiguity or correct any inconsistency;
- establish the forms or terms of debt securities of any series; or
- evidence the acceptance of appointment by a successor trustee. (Indentures, Section 8.01).

Modification with Consent of Holders. We and the applicable trustee, with the consent of the holders of not less than a majority in aggregate principal amount of each affected series of outstanding debt securities, voting as one class, may add any provisions to, or change in any manner or eliminate any of the provisions of, the applicable indenture or modify in any manner the rights of the holders of those debt securities. However, we and the trustee may not make any of the following changes to any outstanding debt security without the consent of each holder that would be affected by such change:

- extend the final maturity of the principal;
- reduce the principal amount;
- reduce the rate or extend the time of payment of interest;
- reduce any amount payable on redemption;
- change the currency in which the principal and any amount of original issue discount, premium, or interest thereon is payable;
- modify or amend the provisions for conversion of any currency into another currency;
- reduce the amount of any original issue discount security payable upon acceleration or provable in bankruptcy;
- alter the terms on which holders of the debt securities may convert or exchange debt securities for stock or other securities of Morgan Stanley or of other entities or for other property or the cash value of the

property, other than in accordance with the antidilution provisions or other similar adjustment provisions included in the terms of the debt securities;

- alter certain provisions of the relevant indenture relating to debt securities not denominated in U.S. dollars;
- impair the right of any holder to institute suit for the enforcement of any payment on any debt security when due; or
- reduce the percentage of debt securities the consent of whose holders is required for modification of the relevant indenture. (Indentures, Section 8.02).

Modification of Subordination Provisions. We may not amend the Subordinated Debt Indenture to alter the subordination of any outstanding subordinated debt securities without the written consent of each potentially adversely affected holder of senior indebtedness then outstanding. (Subordinated Debt Indenture, Section 8.06).

Replacement of Debt Securities

At the expense of the holder, we may, in our discretion, replace any debt securities that become mutilated, destroyed, lost or stolen or are apparently destroyed, lost or stolen. The mutilated debt securities must be delivered to the applicable trustee, the paying agent and the registrar, in the case of registered debt securities, or satisfactory evidence of the destruction, loss or theft of the debt securities must be delivered to us, the paying agent, the registrar, in the case of registered debt securities, and the applicable trustee. At the expense of the holder, an indemnity that is satisfactory to us, the principal paying agent, the registrar, in the case of registered debt securities, and the applicable trustee may be required before a replacement debt security will be issued.

Concerning Our Relationship with the Trustees

We and our subsidiaries maintain ordinary banking relationships and credit facilities with The Bank of New York Mellon, a New York banking corporation (as successor to JPMorgan Chase Bank, N.A. and J.P. Morgan Trust Company, National Association).

Governing Law

The debt securities and the indentures will be governed by, and construed in accordance with, the laws of the State of New York.

Predecessor Indentures

From time to time we may reopen previous issuances of our debt securities issued pursuant to earlier predecessor indentures. Any such senior debt security reopening would be issued under an Amended and Restated Senior Indenture dated as of May 1, 1999 between us and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A. (formerly known as The Chase Manhattan Bank)), as trustee. Any such subordinated debt security reopening would be issued under an Amended and Restated Subordinated Indenture dated as of May 1, 1999 between us and The Bank of New York Mellon (as successor to J.P. Morgan Trust Company, National Association, as successor in interest to The First National Bank of Chicago), as trustee. We call these indentures, as they may be supplemented from time to time, the “predecessor indentures.”

The predecessor indentures have terms identical to the terms of the indentures in all material respects; *provided* that the indentures also include the following provisions. The predecessor indentures include an event of default upon our failure to make any payment at maturity, including any applicable grace period, on other indebtedness in an amount in excess of $10,000,000 and continuance of that failure for a period of 30 days after written notice of the failure to us by the applicable trustee, or to us and the applicable trustee by the holders of not less than 25% in aggregate principal amount of the outstanding debt securities, treated as one class, issued under the indentures. The predecessor indentures also include an event of default upon a default with respect to any other indebtedness, which default results in the acceleration of indebtedness in an amount in excess of $10,000,000 without the indebtedness having been discharged or the acceleration having been cured, waived, rescinded or annulled for a period of 30 days after written notice of the acceleration to us by the applicable trustee, or to us and the applicable trustee by the holders of not less than 25% in aggregate principal amount of the outstanding debt securities, treated as one class, issued under the indenture. For purposes of the previous two sentences, indebtedness means obligations of, or guaranteed or assumed by, us, other than the debt securities, for borrowed money or evidenced by bonds, debentures, notes or other similar instruments, but does not include non-recourse obligations. In addition, if a failure, default or acceleration referred to above ceases or is cured, waived, rescinded or annulled, then the event of default under the predecessor indentures caused by such default or acceleration will also be considered cured. The predecessor subordinated debenture also includes events of default upon our failure to pay either (i) any installment of interest upon any series of debt securities issued under such indenture when the same shall become due and payable, and continuance of such default for a period of 30 days or (ii) all or any part of principal of any series of debt securities issued under such indenture when the same shall become due and payable at maturity, upon any redemption, by declaration or otherwise.

DESCRIPTION OF UNITS

Units will consist of any combination of warrants, purchase contracts, shares of preferred stock, shares of common stock and debt securities issued by us, debt obligations or other securities of an entity affiliated or not affiliated with us or other property. The applicable prospectus supplement will also describe:

- the designation and the terms of the units and of any combination of warrants, purchase contracts, shares of preferred stock, shares of common stock and debt securities issued by us, debt obligations or other securities of an entity affiliated or not affiliated with us or other property constituting the units, including whether and under what circumstances the warrants, purchase contracts, shares of preferred stock, shares of common stock and debt securities issued by us, debt obligations or other securities of an entity affiliated or not affiliated with us or other securities may be traded separately;

- any additional terms of the governing Unit Agreement or Unit Agreement Without Holders' Obligations;

- any additional provisions for the issuance, payment, settlement, transfer or exchange of the units or of the warrants, purchase contracts, shares of preferred stock, shares of common stock and debt securities issued by us, debt obligations or other securities of an entity affiliated or not affiliated with us or other property constituting the units; and

- any applicable U.S. federal income tax consequences.

The terms and conditions described under "Description of Debt Securities," "Description of Warrants," "Description of Purchase Contracts," "Description of Capital Stock—Offered Preferred Stock" and "Description of Capital Stock—Offered and Existing Common Stock" and those described below under "—Significant Provisions of the Unit Agreement" and "—Significant Provisions of the Unit Agreement Without Holders' Obligations" will apply to each unit and to any warrants, purchase contracts, shares of preferred stock, shares of common stock or debt securities issued by us, debt obligations or other securities of an entity affiliated or not affiliated with us or other property included in each unit, unless otherwise specified in the applicable prospectus supplement.

We will issue the units under one or more Unit Agreements, each referred to as a Unit Agreement, to be entered into between us and a bank or trust company, as unit agent. We may issue units in one or more series, which will be described in the applicable prospectus supplement. Generally, units that do not include components requiring performance on the part of the holders of such units will be governed by a Unit Agreement designed for units where the holders do not have any further obligations under the included warrants, purchase contracts or other components, which we refer to as the Unit Agreement Without Holders' Obligations. We have filed the form of Unit Agreement and the Unit Agreement Without Holders' Obligations as exhibits to the registration statement. Although we have described below the material provisions of the Unit Agreement, the Unit Agreement Without Holders' Obligations and the units, these descriptions are not complete, and you should review the detailed provisions of the Unit Agreement and Unit Agreement Without Holders' Obligations for a full description, including the definition of some of the terms used in this prospectus and for other information regarding the units.

Significant Provisions of the Unit Agreement

Obligations of Unit Holder. Under the terms of the Unit Agreement, each owner of a unit:

- consents to and agrees to be bound by the terms of the Unit Agreement;
- appoints the unit agent as its authorized agent to execute, deliver and perform any purchase contract included in the unit in which that owner has an interest, except in the case of pre-paid purchase contracts, which require no further performance by the owner; and
- irrevocably agrees to be a party to and be bound by the terms of any purchase contract, other than a pre-paid purchase contract issued pursuant to an indenture, included in the unit in which that owner has an interest.

Assumption of Obligations by Transferee. Upon the registration of transfer of a unit, the transferee will assume the obligations, if any, of the transferor under the unit, under any purchase contract included in the unit and under any other security constituting that unit, and the transferor will be released from those obligations. Under the Unit Agreement, we consent to the transfer of these obligations to the transferee, to the assumption of these obligations by the transferee and to the release of the transferor, if the transfer is made in accordance with the provisions of the Unit Agreement.

Remedies. Upon the acceleration of the debt securities constituting any units, our obligations and those of the owners under any purchase contracts constituting a part of the units may also be accelerated upon the request of the owners of not less than 25% of the affected purchase contracts, on behalf of all the owners.

Limitation on Actions by You as an Individual Holder. No owner of any unit will have any right under the Unit Agreement to institute any action or proceeding at law or in equity or in bankruptcy or otherwise regarding the Unit Agreement, or for the appointment of a trustee, receiver, liquidator, custodian or other similar official, unless the owner will have given written notice to the unit agent and to us of the occurrence and continuance of a default thereunder and:

- in the case of an event of default under the debt securities or the relevant indenture, unless the procedures, including notice to us and the trustee, described in the indenture have been complied with; and
- in the case of a failure by Morgan Stanley to observe or perform any of its obligations under the Unit Agreement relating to any purchase contracts, other than pre-paid purchase contracts, included in the unit, unless:
  - owners of not less than 25% of the affected purchase contracts have (a) requested the unit agent to institute that action or proceeding in its own name as unit agent under the Unit Agreement and (b) offered the unit agent reasonable indemnity;
  - the unit agent has failed to institute that action or proceeding within 60 days of that request by the owners referred to above; and
  - the owners of a majority of the outstanding affected units have not given directions to the unit agent inconsistent with those of the owners referred to above.

If these conditions have been satisfied, any owner of an affected unit may then, but only then, institute an action or proceeding. Notwithstanding the above, the owner of any unit or purchase contract will have the unconditional right to purchase or sell, as the case may be, purchase contract property under the purchase contract and to institute suit for the enforcement of that right. Purchase contract property is defined under "Description of Purchase Contracts" below.

Negative Pledge. Because we are a holding company, our assets consist primarily of the securities of our subsidiaries. The negative pledge provisions of the Unit Agreement limit our ability to pledge some of these securities. The Unit Agreement provides that we will not, and will not permit any subsidiary to, create, assume, incur or guarantee any indebtedness for borrowed money that is secured by a pledge, lien or other encumbrance except for liens specifically permitted by the Unit Agreement on:

(1) the voting securities of Morgan Stanley & Co. LLC, Morgan Stanley & Co. International plc or any subsidiary succeeding to any substantial part of the business now conducted by any of those corporations, which we refer to collectively as the "principal subsidiaries," or

(2) the voting securities of a subsidiary that owns, directly or indirectly, the voting securities of any of the principal subsidiaries, other than directors' qualifying shares,

without making effective provisions so that the units and the securities constituting the units under the Unit Agreement will be secured equally and ratably with indebtedness so secured.

For these purposes, "subsidiary" means any corporation, partnership or other entity of which at the time of determination we own or control directly or indirectly more than 50% of the shares of the voting stock or equivalent interest, and "voting securities" means stock of any class or classes having general voting power under ordinary circumstances to elect a majority of the board of directors, managers or trustees of the relevant subsidiary, other than stock that carries only the conditional right to vote upon the happening of an event, whether or not that event has happened.

Absence of Protections Against All Potential Actions of Morgan Stanley. There are no covenants or other provisions in the Unit Agreement providing for a put right or increased interest or otherwise that would afford holders of units additional protection in the event of a recapitalization transaction, a change of control of Morgan Stanley or a highly leveraged transaction.

Modification Without Consent of Holders. We and the unit agent may amend or supplement the Unit Agreement and the terms of the purchase contracts and the purchase contract certificates without the consent of the holders:

- to evidence the assumption by a successor of our covenants;
- to evidence the acceptance of appointment by a successor agent or collateral agent;
- to add covenants for the protection of the holders of the units;
- to comply with the Securities Act of 1933, as amended (the "Securities Act"), the Exchange Act or the Investment Company Act of 1940, as amended;
- to cure any ambiguity;
- to correct or supplement any defective or inconsistent provision; or
- in any other manner which we may deem necessary or desirable and which will not adversely affect the interests of the affected holders in any material respect.

Modification with Consent of Holders. We and the unit agent, with the consent of the holders of not less than a majority of all series of outstanding units affected may modify the rights of the holders of the units of each series so affected or the terms of any purchase contracts included in any of those series of units and the terms of the Unit Agreement relating to the purchase contracts of each series so affected. However, we and the unit agent may not make the following first three modifications without the consent of the holder of each outstanding purchase contract included in units and may not make the following last two modifications without the consent of the holder of each outstanding unit affected by the modification that:

- impair the right to institute suit for the enforcement of any purchase contract;
- materially adversely affect the holders' rights and obligations under any purchase contract;

- reduce the percentage of purchase contracts constituting part of outstanding units the consent of whose owners is required for the modification of the provisions of the Unit Agreement relating to those purchase contracts or for the waiver of any defaults under the Unit Agreement relating to those purchase contracts;

- materially adversely affect the holders' units or the terms of the Unit Agreement (other than terms related to the first three clauses above); or

- reduce the percentage of outstanding units the consent of whose owners is required for the modification of the provisions of the Unit Agreement (other than terms related to the first three clauses above).

Modifications of any debt securities or pre-paid purchase contracts issued pursuant to an indenture included in units may only be made in accordance with the applicable indenture, as described under "Description of Debt Securities—Modification of the Indentures." Modifications of any warrants included in units may only be made in accordance with the terms of the warrant agreement as described under "Description of Warrants—Significant Provisions of the Warrant Agreement."

Merger, Consolidation, Sale, Lease or Conveyance. The Unit Agreement provides that we will not merge or consolidate with any other person and will not sell, lease or convey all or substantially all of our assets to any person unless:

- we will be the continuing corporation; or

- the successor corporation or person that acquires all or substantially all of our assets:

  - will be a corporation organized under the laws of the United States, a state of the United States or the District of Columbia; and

  - will expressly assume all of our obligations under the Unit Agreement; and

- immediately after the merger, consolidation, sale, lease or conveyance, we, that person or that successor corporation will not be in default in the performance of the covenants and conditions of the Unit Agreement applicable to us.

Replacement of Unit Certificates or Purchase Contract Certificates. We will replace any mutilated certificate evidencing a definitive unit or purchase contract at the expense of the holder upon surrender of that certificate to the unit agent. We will replace certificates that have been destroyed, lost or stolen at the expense of the holder upon delivery to us and the unit agent of evidence satisfactory to us and the unit agent of the destruction, loss or theft of the certificates. In the case of a destroyed, lost or stolen certificate, an indemnity satisfactory to the unit agent and to us may be required at the expense of the holder of the units or purchase contracts evidenced by that certificate before a replacement will be issued.

The Unit Agreement provides that, notwithstanding the foregoing, no replacement certificate need be delivered:

- during the period beginning 15 days before the day of mailing of a notice of redemption or of any other exercise of any right held by Morgan Stanley with respect to the unit or any security constituting the unit evidenced by the mutilated, destroyed, lost or stolen certificate and ending on the day of the giving of that notice;

- if the mutilated, destroyed, lost or stolen certificate evidences any security selected or called for redemption or other exercise of a right held by Morgan Stanley; or

- at any time on or after the date of settlement or redemption for any purchase contract included in the unit, or at any time on or after the last exercise date for any warrant included in the unit, evidenced by the mutilated, destroyed, lost or stolen certificate, except with respect to any units that remain or will remain outstanding following the date of settlement or redemption or the last exercise date.

Unit Agreement Not Qualified Under Trust Indenture Act. The Unit Agreement will not be qualified as an indenture under, and the unit agent will not be required to qualify as a trustee under, the Trust Indenture Act.

Accordingly, the holders of units and purchase contracts, other than pre-paid purchase contracts issued pursuant to an indenture, will not have the benefits of the protections of the Trust Indenture Act. However, any debt securities or pre-paid purchase contracts issued under an indenture that are issued as part of a unit will be issued under an indenture qualified under the Trust Indenture Act, and the trustee under that indenture will be qualified as a trustee under the Trust Indenture Act.

Title. We, the unit agent, the trustee, the warrant agent and any of their agents will treat the registered owner of any unit as its owner, notwithstanding any notice to the contrary, for all purposes.

New York Law to Govern. The Unit Agreement, the units and the purchase contracts constituting part of the units will be governed by, and construed in accordance with, the laws of the State of New York.

Significant Provisions of the Unit Agreement Without Holders' Obligations

Remedies. The unit agent will act solely as our agent in connection with the units governed by the Unit Agreement Without Holders' Obligations and will not assume any obligation or relationship of agency or trust for or with any holders of units or interests in those units. Any holder of units or interests in those units may, without the consent of the unit agent or any other holder or beneficial owner of units, enforce by appropriate legal action, on its own behalf, its rights under the Unit Agreement Without Holders' Obligations. However, the holders of units or interests in those units may only enforce their rights under any pre-paid purchase contracts issued pursuant to an indenture and any debt securities or under any warrants issued as parts of those units in accordance with the terms of the applicable indenture and the warrant agreement.

Modification. We and the unit agent may amend the Unit Agreement Without Holders' Obligations without the consent of the holders:

- to cure any ambiguity;
- to cure, correct or supplement any defective or inconsistent provision in the agreement; or
- in any other manner which we may deem necessary or desirable and which will not adversely affect the interests of the affected holders of units.

We and the unit agent, with the consent of the holders of not less than a majority of units at the time outstanding, may modify or amend the rights of the affected holders of the affected units and the terms of the Unit Agreement Without Holders' Obligations. However, we and the unit agent may not, without the consent of each affected holder of units, make any modifications or amendments that would:

- materially and adversely affect the exercise rights of the affected holders; or
- reduce the percentage of outstanding units the consent of whose holders is required to modify or amend the Unit Agreement Without Holders' Obligations.

Any debt securities and pre-paid purchase contracts issued pursuant to an indenture that are issued as part of units governed by the Unit Agreement Without Holders' Obligations may be modified only in accordance with the applicable indenture, as described above under "Description of Debt Securities—Modification of the Indentures." Any warrants issued as part of units may be modified only in accordance with the terms of the warrant agreement as described in "Description of Warrants—Significant Provisions of the Warrant Agreement."

Merger, Consolidation, Sale, Lease or Conveyance. The Unit Agreement Without Holders' Obligations provides that we will not merge or consolidate with any other person and will not sell, lease or convey all or substantially all of our assets to any person unless:

- we will be the continuing corporation; or
- the successor corporation or person that acquires all or substantially all of our assets:

  - o will be a corporation organized under the laws of the United States, a state of the United States or the District of Columbia; and

  - o will expressly assume all of our obligations under the Unit Agreement Without Holders' Obligations; and

- immediately after the merger, consolidation, sale, lease or conveyance, we, that person or that successor corporation will not be in default in the performance of the covenants and conditions of the Unit Agreement Without Holders' Obligations applicable to us.

Replacement of Unit Certificates. We will replace any mutilated certificate evidencing a definitive unit at the expense of the holder upon surrender of that certificate to the unit agent. We will replace certificates that have been destroyed, lost or stolen at the expense of the holder upon delivery to us and the unit agent of evidence satisfactory to us and the unit agent of the destruction, loss or theft of the certificates. In the case of a destroyed, lost or stolen certificate, an indemnity satisfactory to the unit agent and to us may be required at the expense of the holder of the units or prepaid purchase contracts evidenced by that certificate before a replacement will be issued.

Title. We, the unit agent, the trustee, the warrant agent and any of our or their agents will treat the registered owner of any unit as its owner, notwithstanding any notice to the contrary, for all purposes.

New York Law to Govern. The Unit Agreement Without Holders' Obligations, the units and the pre-paid purchase contracts constituting part of the units will be governed by, and construed in accordance with, the laws of the State of New York.

DESCRIPTION OF WARRANTS

Offered Warrants

We may offer warrants separately or together with one or more additional warrants, purchase contracts, shares of preferred stock, shares of common stock and debt securities issued by us, debt obligations or other securities of an entity affiliated or not affiliated with us, other property or any combination of those securities in the form of units, as described in the applicable prospectus supplement. If we issue warrants as part of a unit, the accompanying prospectus supplement will specify whether those warrants may be separated from the other securities or property in the unit prior to the warrants' expiration date. Warrants to purchase or sell securities of entities not affiliated with us issued in the United States may not be so separated prior to the 91st day after the issuance of the unit, unless otherwise specified in the applicable prospectus supplement.

We may issue warrants to purchase or sell, on terms to be determined at the time of sale:

- securities issued by us or by an entity affiliated or not affiliated with us, a basket of those securities, an index or indices of those securities or any other property;

- currencies;

- commodities;

- any other property; or

- any combination of the above.

We refer to the property in the above clauses as "warrant property." We may satisfy our obligations, if any, with respect to any warrants by delivering the warrant property or, in the case of warrants to purchase or sell securities, commodities or other property, the cash value of the securities or commodities, as described in the applicable prospectus supplement.

Further Information in Prospectus Supplement

The applicable prospectus supplement will contain, where applicable, the following terms of, and other information relating to, the warrants:

- the specific designation and aggregate number of, and the price at which we will issue, the warrants;
- the currency with which the warrants may be purchased;
- whether the warrants will be issued in fully registered form or bearer form, in definitive or global form or in any combination of these forms, although, in any case, the form of a warrant included in a unit will correspond to the form of the unit and of any debt security or purchase contract included in that unit;
- the date on which the right to exercise the warrants will begin and the date on which that right will expire or, if you may not continuously exercise the warrants throughout that period, the specific date or dates on which you may exercise the warrants;
- if applicable, the date on and after which the warrants and the related securities will be separately transferable;
- whether the warrants are put warrants or call warrants, whether you or we will have the right to exercise the warrants and any conditions or restrictions on the exercise of the warrants;
- the specific warrant property, and the amount or the method for determining the amount of the warrant property, purchasable or saleable upon exercise of each warrant;
- the price at which and the currency with which the underlying securities, currencies, commodities or other property may be purchased or sold upon the exercise of each warrant, or the method of determining that price;
- whether the exercise price may be paid in cash, by the exchange of any other security or property offered with the warrants or both and the method of exercising the warrants;
- whether the exercise of the warrants is to be settled in cash or by delivery of the underlying securities, commodities, other property or combination thereof;
- the applicable U.S. federal income tax consequences;
- the identity of the warrant agent for the warrants and of any other depositaries, execution or paying agents, transfer agents, registrars, determination, or other agents;
- the proposed listing, if any, of the warrants or any securities purchasable upon exercise of the warrants on any securities exchange;
- whether the warrants are to be sold separately or with other securities as part of units; and
- any other terms of the warrants.

Significant Provisions of the Warrant Agreement

We will issue the warrants under one or more warrant agreements to be entered into between us and a bank or trust company, as warrant agent, in one or more series, which will be described in the prospectus supplement for the warrants. The form of warrant agreement is filed as an exhibit to the registration statement. The following summaries of significant provisions of the warrant agreement and the warrants are not intended to be comprehensive and holders of warrants should review the detailed provisions of the warrant agreement for a full description and for other information regarding the warrants.

Modifications Without Consent of Warrantholders. We and the warrant agent may amend the terms of the warrants and the warrant certificates without the consent of the holders:

- to cure any ambiguity;
- to cure, correct or supplement any defective or inconsistent provision;
- to establish the forms or terms of warrant certificates or warrants of any series;
- to evidence the acceptance of appointment by a successor agent; or
- in any other manner which we may deem necessary or desirable and which will not adversely affect the interests of the affected holders in any material respect.

Modifications with Consent of Warrantholders. We and the warrant agent, with the consent of the holders of not less than a majority in number of the then outstanding unexercised warrants affected, may modify or amend the warrant agreement. However, we and the warrant agent may not make any of the following modifications or amendments without the consent of each affected warrantholder:

- change the exercise price of the warrants;
- reduce the amount receivable upon exercise, cancellation or expiration of the warrants other than in accordance with the antidilution provisions or other similar adjustment provisions included in the terms of the warrants;
- shorten the period of time during which the warrants may be exercised;
- materially and adversely affect the rights of the owners of the warrants; or
- reduce the percentage of outstanding warrants the consent of whose owners is required for the modification of the applicable warrant agreement.

Merger, Consolidation, Sale or Other Disposition. If at any time we merge or consolidate with, or transfer substantially all of our assets to, another entity, the successor corporation will succeed to and assume all of our obligations under each warrant agreement and the warrant certificates. We will then be relieved of any further obligation under each of those warrant agreements and the warrants issued under those warrant agreements.

Enforceability of Rights of Warrantholders. The warrant agents will act solely as our agents in connection with the warrant certificates and will not assume any obligation or relationship of agency or trust for or with any holders of warrant certificates or beneficial owners of warrants. Any holder of warrant certificates and any beneficial owner of warrants may, without the consent of any other person, enforce by appropriate legal action, on its own behalf, its right to exercise the warrants evidenced by the warrant certificates in the manner provided for in that series of warrants or pursuant to the applicable warrant agreement. No holder of any warrant certificate or beneficial owner of any warrants will be entitled to any of the rights of a holder of the debt securities or any other warrant property purchasable upon exercise of the warrants, including the right to receive the payments on those debt securities or other warrant property or to enforce any of the covenants or rights in the relevant indenture or any other similar agreement.

Registration and Transfer of Warrants. Subject to the terms of the applicable warrant agreement, warrants in registered, definitive form may be presented for exchange and for registration of transfer, at the corporate trust office of the warrant agent for that series of warrants, or at any other office indicated in the prospectus supplement relating to that series of warrants, without service charge. However, the holder will be required to pay any taxes and other governmental charges as described in the warrant agreement. The transfer or exchange will be effected only if the warrant agent for the series of warrants is satisfied with the documents of title and identity of the person making the request.

New York Law to Govern. The warrants and each warrant agreement will be governed by, and construed in accordance with, the laws of the State of New York.

DESCRIPTION OF PURCHASE CONTRACTS

We may issue purchase contracts, including purchase contracts issued as part of a unit with one or more warrants, shares of preferred stock, shares of common stock and debt securities issued by us, debt obligations or other securities of an entity affiliated or not affiliated with us or other property, for the purchase or sale of:

- securities issued by us or by an entity affiliated or not affiliated with us, a basket of those securities, an index or indices of those securities or any other property;
- currencies;
- commodities;
- any other property; or
- any combination of the above.

We refer to this property in the above clauses as “purchase contract property.”

Each purchase contract will obligate the holder to purchase or sell, and obligate us to sell or purchase, on specified dates, the purchase contract property at a specified price or prices, all as described in the applicable prospectus supplement. The applicable prospectus supplement will also specify the methods by which the holders may purchase or sell the purchase contract property and any acceleration, cancellation or termination provisions or other provisions relating to the settlement of a purchase contract.

Pre-Paid Purchase Contracts

Purchase contracts may require holders to satisfy their obligations under the purchase contracts at the time they are issued. We refer to these purchase contracts as “pre-paid purchase contracts.” In certain circumstances, our obligation to settle pre-paid purchase contracts on the relevant settlement date may constitute senior indebtedness or subordinated indebtedness of ours. Accordingly, pre-paid purchase contracts may be issued under the Senior Debt Indenture or the Subordinated Debt Indenture, as specified in the applicable prospectus supplement.

Purchase Contracts Issued as Part of Units

Purchase contracts issued as part of a unit will be governed by the terms and provisions of a Unit Agreement or, in the case of pre-paid purchase contracts issued as part of a unit that contains no other purchase contracts, a Unit Agreement Without Holders’ Obligations. See “Description of Units—Significant Provisions of the Unit Agreement” and “—Significant Provisions of the Unit Agreement Without Holders’ Obligations.” The applicable prospectus supplement will specify the following:

- whether the purchase contract obligates the holder to purchase or sell the purchase contract property;
- whether and when a purchase contract issued as part of a unit may be separated from the other securities or property constituting part of that unit prior to the purchase contract’s settlement date;
- the methods by which the holders may purchase or sell the purchase contract property;
- any acceleration, cancellation or termination provisions or other provisions relating to the settlement of a purchase contract; and
- whether the purchase contracts will be issued in fully registered or bearer form, in definitive or global form or in any combination of these forms, although, in any case, the form of a purchase contract included in a unit will correspond to the form of the unit and of any debt security or warrant included in that unit.

Settlement of Purchase Contracts. Where purchase contracts issued together with debt securities or debt obligations as part of a unit require the holders to buy purchase contract property, the unit agent may apply principal payments from the debt securities or debt obligations in satisfaction of the holders’ obligations under the related purchase contract as specified in the prospectus supplement. The unit agent will not so apply the principal payments if the holder has delivered cash to meet its obligations under the purchase contract. To settle the purchase contract and receive the purchase contract property, the holder must present and surrender the unit certificates at the office of the unit agent. If a holder settles its obligations under a purchase contract that is part of a unit in cash rather than by delivering the debt security or debt obligation that is part of the unit, that debt security or debt obligation will remain outstanding, if the maturity extends beyond the relevant settlement date and, as more fully described in the applicable prospectus supplement, the holder will receive that debt security or debt obligation or an interest in the relevant global debt security.

Pledge by Purchase Contract Holders to Secure Performance. To secure the obligations of the purchase contract holders contained in the Unit Agreement and in the purchase contracts, the holders, acting through the unit agent, as their attorney-in-fact, will assign and pledge the items in the following sentence, which we refer to as the "pledge," to The Bank of New York Mellon, a New York banking corporation (as successor to JPMorgan Chase Bank, N.A. (formerly known as JPMorgan Chase Bank)), in its capacity as collateral agent, for our benefit. The pledge is a security interest in, and a lien upon and right of set-off against, all of the holders' right, title and interest in and to:

- any common stock, preferred stock, debt securities, debt obligations or other property that are, or become, part of units that include the purchase contracts, or other property as may be specified in the applicable prospectus supplement, which we refer to as the "pledged items";
- all additions to and substitutions for the pledged items as may be permissible, if so specified in the applicable prospectus supplement;
- all income, proceeds and collections received or to be received, or derived or to be derived, at any time from or in connection with the pledged items described in the two clauses above; and
- all powers and rights owned or thereafter acquired under or with respect to the pledged items.

The pledge constitutes collateral security for the performance when due by each holder of its obligations under the Unit Agreement and the applicable purchase contract. The collateral agent will forward all payments from the pledged items to us, unless the payments have been released from the pledge in accordance with the Unit Agreement. We will use the payments received from the pledged items to satisfy the obligations of the holder of the Unit under the related purchase contract.

Property Held in Trust by Unit Agent. If a holder fails to settle in cash its obligations under a purchase contract that is part of a unit and fails to present and surrender its unit certificate to the unit agent when required, that holder will not receive the purchase contract property. Instead, the unit agent will hold that holder's purchase contract property, together with any distributions, as the registered owner in trust for the benefit of the holder until the holder presents and surrenders the certificate or provides satisfactory evidence that the certificate has been destroyed, lost or stolen. The unit agent or Morgan Stanley may require an indemnity from the holder for liabilities related to any destroyed, lost or stolen certificate. If the holder does not present the unit certificate, or provide the necessary evidence of destruction or loss and indemnity, on or before the second anniversary of the settlement date of the related purchase contract, the unit agent will pay to us the amounts it received in trust for that holder. Thereafter, the holder may recover those amounts only from us and not the unit agent. The unit agent will have no obligation to invest or to pay interest on any amounts it holds in trust pending distribution.

DESCRIPTION OF CAPITAL STOCK

As of the date of this prospectus, Morgan Stanley's authorized capital stock consists of 3,500,000,000 shares of common stock, par value $0.01 per share, and 30,000,000 shares of preferred stock, par value $0.01 per share.

The rights of holders of preferred stock or common stock offered by this prospectus will be subject to, and may be adversely affected by, issuances of preferred stock in the future. Under some circumstances, alone or in combination with certain provisions of our certificate of incorporation described below under "—Additional Provisions of Morgan Stanley's Certificate of Incorporation and Bylaws," our issuances of preferred stock may discourage or make more difficult an acquisition of Morgan Stanley that the Board of Directors deems undesirable.

The Board of Directors of Morgan Stanley has the power, without further action by the stockholders, unless action is required by applicable laws or regulations or by the terms of outstanding preferred stock, to issue preferred stock in one or more series and to fix the voting rights, designations, preferences and other terms applicable to the preferred stock to be issued. The Board of Directors may issue preferred stock to obtain additional financing, in connection with acquisitions, as compensation to officers, directors or employees of Morgan Stanley and its subsidiaries in accordance with benefit plans or otherwise and for other proper corporate purposes.

Outstanding Capital Stock

Outstanding Common Stock. As of October 31, 2011, there were 1,927,402,132 shares of our common stock outstanding.

Outstanding Preferred Stock. As of October 31, 2011, the following series of preferred stock were outstanding:

- 44,000 shares of Series A Floating Rate Non-Cumulative Preferred Stock, with a liquidation preference of $25,000.00 per share, which we refer to as the Series A Preferred Stock; and

- 519,882 shares of 10% Series C Non-Cumulative Non-Voting Perpetual Preferred Stock, with a liquidation preference of $1,000.00 per share, which we refer to as the Series C Preferred Stock.

We refer to the Series A Preferred Stock and the Series C Preferred Stock, collectively, as the Existing Preferred Stock.

The preceding summary and the following summary of the terms of the offered preferred stock do not purport to be complete and are qualified by our certificate of incorporation and by a Certificate of Designation of Preferences and Rights for each series of Existing Preferred Stock.

Offered and Existing Common Stock

Our Board of Directors has authorized the issuance of shares of common stock and has authorized a committee of the Board of Directors to establish the price and other terms and conditions of any offering, which will be described in the applicable prospectus supplement. The shares of offered common stock, when issued and sold, will be fully paid and nonassessable.

Terms Specified in Prospectus Supplement. The following description sets forth some general terms and provisions of the offered common stock. The applicable prospectus supplement will contain, where applicable, the following terms of and other information relating to any offered common stock:

- number of shares to be offered;
- offering price or prices;
- any other relevant terms of the offered common stock that the Board of Directors or the committee establishes, including any restrictions on the transfer or resale of the offered common stock; and
- any additional terms of the offering.

Voting Rights. Each holder of our common stock has one vote per share on all matters voted on generally by the stockholders, including the election of directors. Except as otherwise required by law or as provided with respect to any series of preferred stock, the holders of our common stock will possess all voting power. At each annual meeting of stockholders, the Board of Directors will be elected by a majority vote or, in the event of a contested election, a plurality vote of all votes cast at such meeting to hold office until the next annual meeting of stockholders, with each director to hold office until his or her successor shall have been duly elected and qualified. Because our certificate of incorporation does not provide for cumulative voting rights, the holders of a majority of the voting power of the then outstanding shares of capital stock entitled to be voted generally in the election of directors, which we refer to as the "voting stock," represented at a meeting will be able to elect all the directors standing for election at the meeting.

Dividends. The holders of our common stock are entitled to share equally in dividends as may be declared by the Board of Directors out of funds legally available therefor, but only after payment of dividends required to be paid on outstanding shares of offered preferred stock and any other class or series of stock having preference over the common stock as to dividends, including the Existing Preferred Stock.

Liquidation Rights. Upon voluntary or involuntary liquidation, dissolution or winding up of Morgan Stanley, the holders of the common stock will share pro rata in the assets remaining after payments to creditors and holders of any offered preferred stock and any other class or series of stock having preference over the common stock upon liquidation, dissolution or winding up that may be then outstanding, including the Existing Preferred Stock. There are no preemptive or other subscription rights, conversion rights or redemption or sinking fund provisions with respect to shares of our common stock.

Because Morgan Stanley is a holding company, our rights and the rights of holders of our capital stock, including the holders of our common stock, to participate in the distribution of assets of any of our subsidiaries upon the subsidiary's liquidation or recapitalization will be subject to the prior claims of the subsidiary's creditors and preferred shareholders, except to the extent Morgan Stanley may itself be a creditor with recognized claims against the subsidiary or a holder of preferred stock of the subsidiary.

On June 19, 2007, the Board of Directors passed a resolution to provide that, effective September 3, 2007, all shares of common stock issued after such date will be uncertificated. This resolution was prospective only, such that any certificated shares of common stock issued and outstanding on September 3, 2007 would not become uncertificated until the certificate is surrendered to Morgan Stanley or its transfer agent or is reported to Morgan Stanley by the holder as being lost, stolen or destroyed.

Agents and Registrar for Offered and Existing Common Stock. The transfer agent and registrar for the common stock is Mellon Investor Services LLC.

Offered Preferred Stock

Our Board of Directors has authorized the issuance of one or more series of additional shares of preferred stock and has authorized a committee of the Board of Directors to establish and designate series and to fix the number of shares and the relative rights, preferences and limitations of the respective series of the preferred stock offered by this prospectus and the applicable prospectus supplement. The shares of offered preferred stock, when issued and sold, will be fully paid and nonassessable.

Terms Specified in Prospectus Supplement. The following description sets forth some general terms and provisions of the offered preferred stock. The number of shares and all of the relative rights, preferences and limitations of the respective series of offered preferred stock that the Board of Directors or the committee establishes will be described in the applicable prospectus supplement. The terms of particular series of offered preferred stock may differ, among other things, in:

- designation;
- number of shares that constitute the series;
- dividend rate, or the method of calculating the dividend rate, including whether dividends will be cumulative or noncumulative;
- dividend payment dates and dividend periods, or the method of calculating the dividend payment dates and dividend periods;
- priority of dividends;
- redemption provisions, including whether or not, on what terms and at what prices the shares will be subject to mandatory redemption, to a sinking fund provision or to redemption at our option;
- voting rights;
- preferences and rights upon liquidation or winding up;

- whether or not and on what terms the shares will be convertible into or exchangeable for shares of any other class, series or security of ours or any other corporation or any other property;
- for preferred stock convertible into common stock, the number of shares of common stock to be reserved in connection with, and issued upon conversion of, the preferred stock;
- whether depositary shares representing the offered preferred stock will be offered and, if so, the fraction or multiple of a share that each depositary share will represent; and
- the other rights and privileges and any qualifications, limitations or restrictions of those rights or privileges.

The Board of Directors or a duly authorized committee of the Board of Directors will adopt the resolutions to be included in the certificate of designation prior to the issuance of a series of offered preferred stock, and the certificate of designation will be filed with the Secretary of State of the State of Delaware as soon thereafter as reasonably practicable.

Agents and Registrar for Offered Preferred Stock. The transfer agent, dividend disbursing agent and registrar for each series of offered preferred stock will be named in the prospectus supplement relating to that series.

Depositary Shares

We may, at our option, elect to offer fractional shares or some multiple of shares of offered preferred stock, rather than individual shares of offered preferred stock. If we choose to do so, we will issue depositary receipts for depositary shares, each of which will represent a fraction or a multiple of a share of a particular series of offered preferred stock as described below.

The following statements concerning depositary shares, depositary receipts, and the deposit agreement are not intended to be comprehensive and are qualified in their entirety by reference to the forms of these documents, which we have filed as exhibits to the registration statement. Each investor should refer to the detailed provisions of those documents, as we have explained under the heading “Where You Can Find More Information” in the Summary.

The shares of any series of offered preferred stock represented by depositary shares will be deposited under a deposit agreement among Morgan Stanley, a bank, acting as depositary, which we refer to as the Preferred Stock Depositary, and the holders from time to time of depositary receipts issued under the agreement. Subject to the terms of the deposit agreement, each holder of a depositary share will be entitled, in proportion to the fraction or multiple of a share of offered preferred stock represented by that depositary share, to all the rights and preferences of the offered preferred stock represented by that depositary share, including dividend, voting and liquidation rights. The Preferred Stock Depositary for a series of offered preferred stock will be identified in the prospectus supplement for such series.

The depositary shares will be evidenced by depositary receipts issued under the deposit agreement. Depositary receipts will be distributed to those persons purchasing the fractional or multiple shares of the related series of offered preferred stock. Immediately following the issuance of shares of a series of offered preferred stock, we will deposit those shares with the Preferred Stock Depositary, which will then issue and deliver the depositary receipts to the purchasers. Depositary receipts will only be issued evidencing whole depositary shares. A depositary receipt may evidence any number of whole depositary shares.

Dividends and Other Distributions. The Preferred Stock Depositary will distribute all cash dividends or other cash distributions received on the related series of offered preferred stock to the record holders of depositary receipts relating to those series in proportion to the number of the depositary shares evidenced by depositary receipts those holders own.

If we make a distribution other than in cash, the Preferred Stock Depositary will distribute the property it receives to the record holders of depositary receipts in proportion to the number of depositary shares evidenced by depositary receipts those holders own, unless the Preferred Stock Depositary determines that the distribution cannot be made proportionately among those holders or that it is not feasible to make the distribution. In that event, the Preferred Stock Depositary may, with our approval, sell the property and distribute the net proceeds to the holders in proportion to the number of depositary shares evidenced by depositary receipts they own.

The amount distributed to holders of depositary shares will be reduced by any amounts required to be withheld by Morgan Stanley or the Preferred Stock Depositary on account of taxes or other governmental charges.

Withdrawal of Stock. Upon surrender of the depositary receipts at the corporate trust office of the Preferred Stock Depositary and upon payment of the taxes, charges and fees provided for in the deposit agreement and compliance with any other requirement of the deposit agreement, the holder of the depositary shares evidenced by those depositary receipts is entitled to delivery of the number of whole shares of the related series of offered preferred stock and all money or other property, if any, represented by those shares. Holders of depositary receipts representing any number of whole shares of offered preferred stock will be entitled to receive whole shares of the related series of offered preferred stock, but those holders of whole shares of offered preferred stock will not thereafter be entitled to deposit those shares of offered preferred stock with the Preferred Stock Depositary or to receive depositary shares therefor. If the depositary receipts delivered by the holder evidence a number of depositary shares in excess of the number representing whole shares of the related series of offered preferred stock to be withdrawn, the Preferred Stock Depositary will deliver to the holder at the same time a new depositary receipt evidencing the excess number of depositary shares.

Voting the Offered Preferred Stock. Upon receiving notice of any meeting at which the holders of any series of the offered preferred stock are entitled to vote, the Preferred Stock Depositary will mail the information contained in the notice of the meeting to the record holders of the depositary receipts relating to that series of offered preferred stock. Each record holder of the depositary receipts on the record date, which will be the same date as the record date for the related series of offered preferred stock, may instruct the Preferred Stock Depositary how to exercise his or her voting rights. The Preferred Stock Depositary will endeavor, insofar as practicable, to vote or cause to be voted the maximum number of whole shares of the offered preferred stock represented by those depositary shares in accordance with those instructions received sufficiently in advance of the meeting, and we will agree to take all reasonable action that may be deemed necessary by the Preferred Stock Depositary in order to enable the Preferred Stock Depositary to do so. The Preferred Stock Depositary will abstain from voting shares of the offered preferred stock for which it does not receive specific instructions from the holder of the depositary shares representing them.

Redemption of Depositary Shares. Depositary shares will be redeemed from any proceeds received by the Preferred Stock Depositary resulting from the redemption, in whole or in part, of the series of the offered preferred stock represented by those depositary shares. The redemption price per depositary share will equal the applicable fraction or multiple of the redemption price per share payable with respect to the series of the offered preferred stock. If we redeem shares of a series of offered preferred stock held by the Preferred Stock Depositary, the Preferred Stock Depositary will redeem as of the same redemption date the number of depositary shares representing the shares of offered preferred stock that we redeem. If less than all the depositary shares will be redeemed, the depositary shares to be redeemed will be selected by lot or substantially equivalent method determined by the Preferred Stock Depositary.

After the date fixed for redemption, the depositary shares called for redemption will no longer be deemed to be outstanding, and all rights of the holders of the depositary shares will cease, except the right to receive the monies payable and any other property to which the holders were entitled upon the redemption upon surrender to the Preferred Stock Depositary of the depositary receipts evidencing the depositary shares. Any funds deposited by us with the Preferred Stock Depositary for any depositary shares that the holders fail to redeem will be returned to us after a period of two years from the date the funds are deposited.

Amendment and Termination of the Deposit Agreement. We may amend the form of depositary receipt evidencing the depositary shares and any provision of the deposit agreement at any time and from time to time by agreement with the Preferred Stock Depositary. However, any amendment that materially and adversely alters the rights of the holders of depositary receipts will not be effective unless it has been approved by the holders of at least a majority of the depositary shares then outstanding, and no amendment may impair the right of any holder of any depositary receipts, described above under "—Withdrawal of Stock," to receive shares of the related series of offered preferred stock and any money or other property represented by those depositary shares, except in order to comply with mandatory provisions of applicable law. We may terminate the deposit agreement at any time with at least 60 days' prior written notice to the Preferred Stock Depositary. Within 30 days of the date of the notice, the Preferred Stock Depositary will deliver or make available for delivery to holders of depositary receipts, upon surrender of the depositary receipts evidencing the depositary shares and upon payment of any applicable taxes or governmental charges to be paid by the holders as described below, the number of whole shares of the related series of offered preferred stock as are represented by the depositary receipts. The deposit agreement will automatically terminate after there has been a final distribution on the related series of offered preferred stock in connection with any liquidation, dissolution or winding up of Morgan Stanley and that distribution has been made to the holders of depositary shares.

Charges of Preferred Stock Depositary. We will pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. We will pay all charges of the Preferred Stock Depositary in connection with the initial deposit of the related series of offered preferred stock, the initial issuance of the depositary shares, all withdrawals of shares of the related series of offered preferred stock by holders of depositary shares and the registration of transfers of title to any depositary shares. However, holders of depositary shares will pay other transfer and other taxes and governmental charges and the other charges expressly provided in the deposit agreement to be for their accounts.

Limitation on Liability of Company and Preferred Stock Depositary. Neither the Preferred Stock Depositary nor Morgan Stanley will be liable if it is prevented or delayed by law, by any provision of our certificate of incorporation or of the depositary shares or by any circumstance beyond its control from performing its obligations under the deposit agreement. The obligations of Morgan Stanley and the Preferred Stock Depositary under the deposit agreement will be limited to performance with best judgment and in good faith of their duties thereunder, except that they will be liable for negligence or willful misconduct in the performance of their duties thereunder, and they will not be obligated to appear in, prosecute or defend any legal proceeding related to any depositary receipts, depositary shares or related series of offered preferred stock unless satisfactory indemnity is furnished.

Corporate Trust Office of Preferred Stock Depositary. The address of the Preferred Stock Depositary's corporate trust office will be identified in the applicable prospectus supplement for a series of Preferred Stock. The Preferred Stock Depositary will act as transfer agent and registrar for depositary receipts, and, if shares of a series of offered preferred stock are redeemable, the Preferred Stock Depositary will act as redemption agent for the corresponding depositary receipts.

Resignation and Removal of Preferred Stock Depositary. The Preferred Stock Depositary may resign at any time by delivering to us written notice of its election to do so, and we may at any time remove the Preferred Stock Depositary. Any resignation or removal will take effect upon the appointment of a successor Preferred Stock Depositary. A successor must be appointed by us within 60 days after delivery of the notice of resignation or removal and must be a bank or trust company having its principal office in the United States and a combined capital and surplus of at least $50,000,000.

Reports to Holders. We will deliver all required reports and communications to holders of the offered preferred stock to the Preferred Stock Depositary, and it will forward those reports and communications to the holders of depositary shares.

Inspection by Holders. Upon request, the Preferred Stock Depositary will provide for inspection to the holders of depositary shares the transfer books of the depositary and the list of holders of receipts; provided that any requesting holder certifies to the Preferred Stock Depositary that such inspection is for a proper purpose reasonably related to such person's interest as an owner of depositary shares evidenced by the receipts.

Existing Preferred Stock

Unless otherwise indicated, the terms and provisions described below relate to each of the Series A Preferred Stock and the Series C Preferred Stock. Other than as described below, the terms of the Series A Preferred Stock and the Series C Preferred Stock are substantially similar.

Rank. Each series of Existing Preferred Stock ranks on a parity with each other and with the offered preferred stock as to payment of dividends and amounts payable upon liquidation, dissolution or winding up, except that the certificate of designation for the Series A Preferred Stock states that such series ranks, as to dividends, junior to any future issuance of cumulative preferred stock. Each series of Existing Preferred Stock ranks prior to the common stock as to payment of dividends and amounts payable on liquidation, dissolution or winding up. The shares of the Existing Preferred Stock are fully paid and nonassessable and have no preemptive rights.

Conversion. No shares of the Series A Preferred Stock or the Series C Preferred Stock are convertible at the option of the holder, or otherwise, into common stock.

Dividends. Holders of Existing Preferred Stock are entitled to receive, when and as declared by the Board of Directors out of legally available funds, cumulative or noncumulative cash dividends, as the case may be, payable quarterly at the rate specified below.

- Series A Preferred Stock: noncumulative cash dividends at a per annum rate equal to the greater of (1) 4% and (2) three-month U.S. Dollar LIBOR on the related dividend determination date plus .70%.

- Series C Preferred Stock: noncumulative cash dividends at a per annum rate equal to 10%.

Each of the Series A Preferred Stock and the Series C Preferred Stock is noncumulative preferred stock. Accordingly, if the Board of Directors (or a duly authorized committee thereof) does not declare a dividend on the Series A Preferred Stock or the Series C Preferred Stock in respect of any dividend period before the related dividend payment date, Morgan Stanley will have no obligation to pay a dividend for that dividend period on such dividend payment date or at any future time.

Each series of Existing Preferred Stock will be junior as to payment of dividends to any preferred stock that may be issued in the future that is expressly senior as to dividends to the Existing Preferred Stock. If at any time we have failed to pay accumulated dividends on any preferred stock that is senior to a series of Existing Preferred Stock as to payment of dividends, we may not pay any dividends on the junior series of Existing Preferred Stock or redeem or otherwise repurchase any shares of the junior series of Existing Preferred Stock until we have paid in full, or set aside for payment, such accumulated but unpaid dividends on those senior shares.

We will not declare or pay or set aside for payment, dividends on any series of offered preferred stock ranking on a parity as to payment of dividends with any series of Existing Preferred Stock, unless, in the case of the Series A Preferred Stock and the Series C Preferred Stock, we also declare or pay or set aside for payment the accrued dividends on the outstanding shares of such series for the latest dividend payment period. We must declare, pay or set aside for payment any amounts on the offered preferred stock ratably in proportion to the respective amounts of unpaid dividends described in the preceding sentence.

Except as described above, and subject to some additional exceptions set forth in the relevant certificate of designations, unless we have paid full accrued dividends on the outstanding shares of the Series A Preferred Stock and the Series C Preferred Stock for the latest dividend payment period with respect to each such series, we may not during a divided period for any series:

- declare or pay a dividend or distribution on common stock or any preferred stock that ranks on a parity with, or is junior to, such series as to dividend rights and as to rights on liquidation, dissolution or winding up, or

- redeem, purchase or otherwise acquire our common stock or any preferred stock that ranks on a parity with, or is junior to, such series as to dividend rights and as to rights on liquidation, dissolution or winding up.

Redemption. The Existing Preferred Stock is not and will not be subject to any mandatory redemption, sinking fund provision or other similar provision. The Series A Preferred Stock and Series C Preferred Stock are each redeemable, subject to receipt of any required regulatory approvals, in whole or in part, upon 30 days' notice as follows:

- the Series A Preferred Stock is redeemable at a redemption price of $25,000.00 per share plus accrued and unpaid dividends, regardless of whether dividends are actually declared, to but excluding the date of redemption; and

- the Series C Preferred Stock is redeemable at a redemption price of $1,100.00 per share, plus accrued and unpaid dividends, regardless of whether dividends are actually declared, to but excluding the date of redemption.

Liquidation Rights. In the event of any liquidation, dissolution or winding up of Morgan Stanley, the holders of shares of Existing Preferred Stock will be entitled to receive, out of the assets of Morgan Stanley available for distribution to stockholders, liquidating distributions before any distribution is made to holders of any class or series of capital stock ranking junior to the Existing Preferred Stock as to rights upon liquidation, dissolution or winding up or our common stock. The liquidating distribution that each series of Existing Preferred Stock is entitled to receive is as follows:

- the Series A Preferred Stock will be entitled to receive a liquidating distribution in an amount equal to $25,000.00 per share, together with an amount equal to all dividends, if any, that have been declared but not paid with respect to such series prior to the date of payment of such distribution (but without any accumulation in respect of dividends that have not been declared prior to such payment date); and

- the Series C Preferred Stock will be entitled to receive a liquidating distribution in an amount equal to $1,000 per share, together with an amount equal to all dividends, if any, that have been declared but not paid prior to the date of payment of such distribution (but without any accumulation in respect of dividends that have not been declared prior to such payment date).

However, holders of shares of the Existing Preferred Stock will not be entitled to receive the liquidation price of their shares until we have paid or set aside an amount sufficient to pay in full the liquidation preference of any class or series of our capital stock ranking senior as to rights upon liquidation, dissolution or winding up.

If, upon any liquidation, dissolution or winding up of Morgan Stanley, assets of Morgan Stanley then distributable are insufficient to pay in full the amounts payable with respect to the Existing Preferred Stock and any other preferred stock ranking on a parity with the Existing Preferred Stock as to rights upon liquidation, dissolution or winding up, the holders of the Existing Preferred Stock and of that other preferred stock will share ratably in any distribution in proportion to the full respective preferential amounts to which they are entitled. After we have paid the full amount of the liquidating distribution to which they are entitled, the holders of the Existing Preferred Stock will not be entitled to any further participation in any distribution of assets by Morgan Stanley.

Voting Rights. Holders of Existing Preferred Stock do not have any voting rights except as described below or as otherwise from time to time required by law. Whenever dividends on any series of Existing Preferred Stock have not been declared and paid for the equivalent of six or more dividend periods, whether or not consecutive, the authorized number of directors of Morgan Stanley shall be automatically increased by two and the holders of shares of Existing Preferred Stock, voting together as a class with holders of any and all other series of preferred stock having similar voting rights that are exercisable, will be entitled to elect two directors to fill such newly created directorships at Morgan Stanley's next annual meeting of stockholders (or at a special meeting called for that purpose prior to such next annual meeting) and at each subsequent annual meeting. These voting rights will continue for Series A Preferred Stock and the Series C Preferred Stock until dividends on such shares have been fully paid (or declared and a sum sufficient for the payment of such dividends shall have been set aside for such payment) for at least four regular dividend periods following the nonpayment. The term of office of all directors elected by the holders of preferred stock will terminate immediately upon the termination of the right of holders of preferred stock to vote for directors.

So long as any shares of Existing Preferred Stock remain outstanding, we will not, without the consent of the holders of at least two-thirds of the shares of Existing Preferred Stock outstanding at the time, voting together as a single class with holders of any and all other series of preferred stock having similar voting rights that are exercisable

- amend, alter or repeal any provision of Morgan Stanley's certificate of incorporation or the certificate of designations of preferences and rights with respect to any series of the Existing Preferred Stock to authorize or create, or increase the authorized amount of, any shares of any class or series of stock ranking senior to any series of Existing Preferred Stock with respect to the payment of dividends or the distribution of assets upon liquidation, dissolution or winding up;

- amend, alter or repeal any provision of Morgan Stanley's certificate of incorporation or the certificate of designations of preferences and rights with respect to any series of the Existing Preferred Stock if such amendment, alteration or repeal would cause a material and adverse affect with respect to the special rights, preferences, privileges and voting powers of any Existing Preferred Stock, whether by merger, consolidation or otherwise. For purposes of the preceding sentence any increase in the authorized amount of common stock or preferred stock or the creation and issuance of other series of our common stock or preferred stock ranking on a parity with or junior to the Existing Preferred Stock as to dividends and the distribution of assets upon liquidation, dissolution or winding up will not be deemed to materially and adversely affect the special rights, preferences, privileges and voting powers of any Existing Preferred Stock; or

- consummate any binding share exchange or reclassification involving any series of Existing Preferred Stock, or merger or consolidation of Morgan Stanley with another corporation or other entity, unless in each case (x) the shares of Existing Preferred Stock remain outstanding or are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remain outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Existing Preferred Stock immediately prior to such consummation, taken as a whole.

Additional Provisions of Morgan Stanley's Certificate of Incorporation and Bylaws

Board of Directors. Our Board of Directors currently consists of fourteen directors. At each annual meeting of stockholders, all directors will be elected by either a majority vote or, in the event of a contested election, a plurality vote of all votes cast at such meeting to hold office for a term expiring at the next annual meeting of stockholders, with each director to hold office until his or her successor shall have been duly elected and qualified. Under our amended and restated bylaws (the "bylaws"), a majority vote of the Board of Directors may increase or decrease the number of directors. However, the bylaws provide that the Board shall consist of not less than three nor more than fifteen members. Our amended and restated certificate of incorporation (the "certificate of incorporation") also provides that directors may be removed from office at any time, with or without cause. Any vacancy on the Board of Directors or newly created directorship will be filled by a majority vote of the remaining directors then in office, and those newly elected directors will serve for a term expiring at the next annual meeting of stockholders, and until such director's successor has been duly elected and qualified.

Limitations on Actions by Stockholders; Calling Special Meetings of Stockholders. Our certificate of incorporation provides that, subject to the rights of holders of any series of preferred stock or any other series of capital stock set forth in the certificate of incorporation, any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and may not be effected by any consent in writing in lieu of a meeting. Our bylaws provide that, subject to the rights of holders of any series of preferred stock or any other series of capital stock set forth in the certificate of incorporation, special meetings of the stockholders may be called by the Secretary of Morgan Stanley either (i) at any time at the direction of and pursuant to a resolution of the Board of Directors or (ii) at the written request of stockholders of record owning at least twenty-five percent (25%) of the voting power of the outstanding capital stock of Morgan Stanley (excluding shares as to which the holder would not have the right to vote or has transferred any of the economic consequences of ownership), subject to certain requirements with respect to the form, nature and timing of such request.

Amendment of Governing Documents. Our certificate of incorporation provides that, generally, it can be amended in accordance with the provisions of the laws of the State of Delaware. Under Section 242 of the Delaware General Corporation Law, the Board of Directors may propose, and the stockholders may adopt by a majority vote of the voting stock, an amendment to our certificate of incorporation.

Our certificate of incorporation provides that our bylaws may be adopted, amended or repealed by the Board of Directors. Furthermore, the bylaws provide that our bylaws may be altered, amended or repealed or new provisions may be adopted by a majority of the Board of Directors or the stockholders at any meeting thereof.

Limitation of Directors' Liability. Section 102 of the Delaware General Corporation Law allows a corporation to eliminate the personal liability of directors of a corporation to the corporation or to any of its stockholders for monetary damages for a breach of fiduciary duty as a director, except in the case where the director breached his duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase or redemption in violation of the Delaware General Corporation Law or obtained an improper personal benefit. Under our certificate of incorporation, a director of Morgan Stanley will not be personally liable to Morgan Stanley or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent the exemption from liability or limitation of liability is not permitted under the Delaware General Corporation Law as in effect or as that law may be amended.

FORMS OF SECURITIES

Each debt security, warrant, purchase contract and unit will be represented either by a certificate issued in definitive form to a particular investor or by one or more global securities representing the entire issuance of securities. Both certificated securities in definitive form and global securities may be issued either (1) in registered form, where our obligation runs to the holder of the security named on the face of the security or (2) subject to the limitations explained below under "—Limitations on Issuance of Bearer Securities," in bearer form, where our obligation runs to the bearer of the security. Definitive securities name you or your nominee as the owner of the security (other than definitive bearer securities, which name the bearer as owner), and, in order to transfer or exchange these securities or to receive payments other than interest or other interim payments, you or your nominee must physically deliver the securities to the trustee, registrar, paying agent or other agent, as applicable. Global securities name a depositary or its nominee as the owner of the debt securities, warrants, purchase contracts or units represented by these global securities (other than global bearer securities, which name the bearer as owner). The depositary maintains a computerized system that will reflect each investor's beneficial ownership of the securities through an account maintained by the investor with its broker/dealer, bank, trust company or other representative, as we explain more fully below under "—Global Securities."

Our obligations, as well as the obligations of the trustee under any indenture and the obligations, if any, of any warrant agents and unit agents and any other agents of ours, any agents of the trustee or any agents of any warrant agents or unit agents, run only to the persons or entities named as holders of the securities in the relevant security register, in the case of registered securities, or the persons or entities that are the bearers of those securities, in the case of bearer securities. Neither we nor any trustee, warrant agent, unit agent, other agent of ours, agent of the trustee or agent of the warrant agents or unit agents have obligations to investors who hold beneficial interest in global securities, in street name or by any other indirect means.

Upon making a payment or giving a notice to the holder or bearer as required by the terms of that security, we will have no further responsibility for that payment or notice even if that holder or bearer is required, under agreements with depositary participants or customers or by law, to pass it along to the indirect owners of beneficial interests in that security but does not do so. Similarly, if we want to obtain the approval or consent of the holders or bearers of any securities for any purpose, we would seek the approval only from the holders or bearers, and not the indirect owners, of the relevant securities. Whether and how the holders or bearers contact the indirect owners would be governed by the agreements between such holders and bearers and the indirect owners.

References to "you" in this prospectus refer to those who invest in the securities being offered by this prospectus, whether they are the direct holders or bearers or only indirect owners of beneficial interests in those securities.

Global Securities

Registered Global Securities. We may issue the registered debt securities, warrants, purchase contracts and units in the form of one or more fully registered global securities that will be deposited with a depositary or its nominee identified in the applicable prospectus supplement and registered in the name of that depositary or its nominee. In those cases, one or more registered global securities will be issued in a denomination or aggregate denominations equal to the portion of the aggregate principal or face amount of the securities to be represented by registered global securities. Unless and until it is exchanged in whole for securities in definitive registered form, a registered global security may not be transferred except as a whole by and among the depositary for the registered global security, the nominees of the depositary or any successors of the depositary or those nominees.

Debt securities in registered global form issued under the NSS will be deposited with a common safekeeper for Euroclear and/or Clearstream, Luxembourg and will be registered in the name of a nominee of the common safekeeper. We anticipate that the provisions described under "—The Depositary" below will apply to all other depositary arrangements, unless otherwise described in the prospectus supplement relating to those securities.

Bearer Global Securities. The securities may also be issued in the form of one or more bearer global securities that will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg, or with a nominee for the depositary identified in the prospectus supplement relating to those securities, or with a common safekeeper for Euroclear and/or Clearstream, Luxembourg in the case debt securities issued in NGN form.

The specific terms and procedures, including the specific terms of the depositary arrangement, with respect to any securities to be represented by a bearer global security will be described in the prospectus supplement relating to those securities.

Limitations on Issuance of Bearer Securities

In compliance with U.S. federal income tax laws and regulations, bearer securities, including bearer securities in global form, will not be offered, sold or delivered, directly or indirectly, in the United States or its possessions or to United States persons, as defined below, except as otherwise permitted by United States Treasury Regulations Section 1.163-5(c)(2)(i)(D). Any underwriters, agents or dealers participating in the offerings of bearer securities, directly or indirectly, must agree that:

- they will not, in connection with the original issuance of any bearer securities or during the restricted period with respect to such securities (as defined in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)), which we refer to as the "restricted period," offer, sell or deliver, directly or indirectly, any bearer securities in the United States or its possessions or to United States persons, other than as permitted by the applicable Treasury regulations described above; and
- they will not, at any time, offer, sell or deliver, directly or indirectly, any bearer securities in the United States or its possessions or to United States persons, other than as permitted by the applicable Treasury regulations described above.

In addition, any underwriters, agents or dealers must have procedures reasonably designed to ensure that their employees or agents who are directly engaged in selling bearer securities are aware of the above restrictions on the offering, sale or delivery of bearer securities.

Bearer securities, other than temporary global debt securities and bearer securities that satisfy the requirements of United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(3)(iii) and any coupons or talons appertaining thereto, will not be delivered in definitive form, and no interest will be paid thereon, unless Morgan Stanley has received a signed certificate in writing, or an electronic certificate described in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(3)(ii), stating that on the date of that certificate the bearer security:

- is owned by a person that is not a United States person;
- is owned by a United States person that (a) is a foreign branch of a United States financial institution, as defined in applicable United States Treasury regulations, which we refer to as a "financial institution," purchasing for its own account or for resale, or (b) is acquiring the bearer security through a foreign branch of a United States financial institution and who holds the bearer security through that financial institution through the certification date, and in the case of either (a) or (b) above, each of those United States financial institutions agrees and certifies, on its own behalf or through its agent, that Morgan Stanley may be advised that it will comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Internal Revenue Code of 1986, as amended, and the Treasury regulations thereunder; or
- is owned by a United States or foreign financial institution for the purposes of resale during the restricted period and, in addition, if the owner of the bearer security is a United States or foreign financial institution described in this clause, whether or not also described in the first or second clause above, the financial institution certifies that it has not acquired the bearer security for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

We will make payments on bearer securities only outside the United States and its possessions (as described in Treasury Regulations Section 1.163-5(c)(2)(v)) except as permitted by the above regulations.

Bearer securities, other than temporary global securities, and any coupons or talons issued with bearer securities will bear the following legend, in English: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code.” The sections referred to in this legend provide that, with exceptions, a United States person will not be permitted to deduct any loss, and will not be eligible for capital gain treatment with respect to any gain realized on, the sale, exchange or redemption of that bearer security, coupon or talon.

As used in the preceding three paragraphs, the term bearer securities includes bearer securities that are part of units. As used herein, “United States person” means a citizen or individual resident of the United States for U.S. federal income tax purposes, a corporation or partnership, including an entity treated as a corporation or partnership for U.S. federal income tax purposes, created or organized in or under the laws of the United States, or any state of the United States or the District of Columbia (other than a partnership that is not treated as a United States person under any applicable Treasury regulations), an estate the income of which is subject to U.S. federal income taxation regardless of its source, or a trust, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust. In addition, some trusts treated as United States persons before August 20, 1996 that elect to continue to be so treated to the extent provided in the Treasury regulations shall be considered United States persons.

Form of Securities Included in Units

The form of the warrant or purchase contract included in a unit will correspond to the form of the unit and of any other security included in that unit.

The Depositary

Except as otherwise described herein and/or stated in the applicable prospectus supplement, The Depository Trust Company, New York, New York will be designated as the depositary for any registered global security. Each registered global security will be registered in the name of Cede & Co., the Depositary’s nominee.

The Depositary is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. The Depositary holds securities deposited with it by its direct participants, and it facilitates the settlement of transactions among its direct participants in those securities through electronic computerized book-entry changes in participants’ accounts, eliminating the need for physical movement of securities certificates. The Depositary’s direct participants include both U.S. and non-U.S. securities brokers and dealers, including the agents, banks, trust companies, clearing corporations and other organizations, some of whom and/or their representatives own the Depositary. Access to the Depositary’s book-entry system is also available to others, such as both U.S. and non-U.S. brokers and dealers, banks, trust companies and clearing corporations, such as Euroclear and Clearstream, Luxembourg, that clear through or maintain a custodial relationship with a participant, either directly or indirectly. The rules applicable to the Depositary and its participants are on file with the SEC.

Purchases of the securities under the Depositary’s system must be made by or through its direct participants, which will receive a credit for the securities on the Depositary’s records. The ownership interest of each actual purchaser of each security (the “beneficial owner”) is in turn to be recorded on the records of direct and indirect participants. Beneficial owners will not receive written confirmation from the Depositary of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participants through which the beneficial owner entered into the transaction. Transfers of ownership interests in the securities are to be made by entries on the books of direct and indirect participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in securities, except in the event that use of the book-entry system for the securities is discontinued.

To facilitate subsequent transfers, all securities deposited with the Depositary are registered in the name of the Depositary's partnership nominee, Cede & Co, or such other name as may be requested by the Depositary. The deposit of securities with the Depositary and their registration in the name of Cede & Co. or such other nominee of the Depositary do not effect any change in beneficial ownership. The Depositary has no knowledge of the actual beneficial owners of the securities; the Depositary's records reflect only the identity of the direct participants to whose accounts the securities are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by the Depositary to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither the Depositary nor Cede & Co. (nor such other nominee of the Depositary) will consent or vote with respect to the securities unless authorized by a direct participant in accordance with the Depositary's procedures. Under its usual procedures, the Depositary mails an omnibus proxy to us as soon as possible after the applicable record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those direct participants identified in a listing attached to the omnibus proxy to whose accounts the securities are credited on the record date.

Redemption proceeds, distributions, and dividend payments on the securities will be made to Cede & Co or such other nominee as may be requested by the Depositary. The Depositary's practice is to credit direct participants' accounts upon the Depositary's receipt of funds and corresponding detail information from us or any agent of ours, on the date payable in accordance with their respective holdings shown on the Depositary's records. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such participant and not of the Depositary or its nominee, the trustee, any agent of ours, or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of redemption proceeds, distributions, and dividend payments to Cede & Co. or such other nominee as may be requested by the Depositary is the responsibility of us or of any paying agent of ours, disbursement of such payments to direct participants will be the responsibility of the Depositary, and disbursement of such payments to the beneficial owners will be the responsibility of direct and indirect participants.

The Depositary may discontinue providing its services as depositary with respect to the securities at any time by giving reasonable notice to us or our agent. Under such circumstances, in the event that a successor depositary is not obtained by us within 90 days, security certificates are required to be printed and delivered. In addition, under the terms of the indentures, we may at any time and in our sole discretion decide not to have any of the securities represented by one or more registered global securities. We understand, however, that, under current industry practices, the Depositary would notify its participants of our request, but will only withdraw beneficial interests from a global security at the request of each participant. We would issue definitive certificates in exchange for any such interests withdrawn. Any securities issued in definitive form in exchange for a registered global security will be registered in the name or names that the Depositary gives to the relevant trustee, warrant agent, unit agent or other relevant agent of ours or theirs. It is expected that the Depositary's instructions will be based upon directions received by the Depositary from participants with respect to ownership of beneficial interests in the registered global security that had been held by the Depositary.

According to the Depositary, the foregoing information relating to the Depositary has been provided to the financial community for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

The information in this section concerning the Depositary and Depositary's book-entry system has been obtained from sources we believe to be reliable, but we take no responsibility for the accuracy thereof. The Depositary may change or discontinue the foregoing procedures at any time.

SECURITIES OFFERED ON A GLOBAL BASIS THROUGH THE DEPOSITARY

If we offer any of the securities on a global basis through the Depositary, we will so specify in the applicable prospectus supplement. The additional information contained in this section under "—Book-Entry, Delivery and Form" and "—Global Clearance and Settlement Procedures" will apply to every offering on a global basis through the Depositary. The additional provisions described under "—Tax Redemption" and "—Payment of Additional Amounts" will apply to securities offered on a global basis through the Depositary only if we so specify in the applicable prospectus supplement.

Book-Entry, Delivery and Form

The securities will be issued in the form of one or more fully registered global securities which will be deposited with, or on behalf of the Depositary, and registered in the name of Cede & Co. Beneficial interests in the registered global securities will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in the Depositary, as described above. Investors may elect to hold interests in the registered global securities held by the Depositary through Clearstream, Luxembourg or Euroclear if they are participants in those systems, or indirectly through organizations which are participants in those systems. Clearstream, Luxembourg and Euroclear will hold interests on behalf of their participants through customers' securities accounts in Clearstream, Luxembourg's and Euroclear's names on the books of their respective depositaries, which in turn will hold interests in the registered global securities in customers' securities accounts in the depositaries' names on the books of the Depositary. Citibank, N.A. will act as depositary for Clearstream, Luxembourg, and The Bank of New York Mellon, a New York banking corporation, will act as depositary for Euroclear. We refer to each of Citibank, N.A. and The Bank of New York Mellon, acting in this depositary capacity, as the "U.S. depositary" for the relevant clearing system. Except as set forth below, the registered global securities may be transferred, in whole but not in part, only to the Depositary, another nominee of the Depositary or to a successor of the Depositary or its nominee.

Clearstream, Luxembourg advises that distributions with respect to the securities held through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg customers in accordance with its rules and procedures, to the extent received by the U.S. depositary for Clearstream, Luxembourg.

Euroclear advises that distributions with respect to the securities held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the terms and conditions, to the extent received by the U.S. depositary for Euroclear.

Euroclear further advises that investors that acquire, hold and transfer interests in securities by book-entry through accounts with Euroclear or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between their intermediary and each other intermediary, if any, standing between themselves and the securities.

Individual certificates in respect of the securities will not be issued in exchange for the registered global securities, except in very limited circumstances. If the Depositary notifies us that it is unwilling or unable to continue as a clearing system in connection with the registered global securities or ceases to be a clearing agency registered under the Exchange Act, and a successor clearing system is not appointed by us within 90 days after receiving that notice from the Depositary or upon becoming aware that the Depositary is no longer so registered, we will issue or cause to be issued individual certificates in registered form on registration of transfer of, or in exchange for, book-entry interests in the securities represented by registered global securities upon delivery of those registered global securities for cancellation.

Title to book-entry interests in the securities will pass by book-entry registration of the transfer within the records of Clearstream, Luxembourg, Euroclear or the Depositary, as the case may be, in accordance with their respective procedures. Book-entry interests in the securities may be transferred within Clearstream, Luxembourg and within Euroclear and between Clearstream, Luxembourg and Euroclear in accordance with procedures established for these purposes by Clearstream, Luxembourg and Euroclear. Book-entry interests in the securities may be transferred within the Depositary in accordance with procedures established for this purpose by the

Depositary. Transfers of book-entry interests in the securities among Clearstream, Luxembourg and Euroclear and the Depositary may be effected in accordance with procedures established for this purpose by Clearstream, Luxembourg, Euroclear and the Depositary.

Global Clearance and Settlement Procedures

Initial settlement for the securities offered on a global basis through the Depositary will be made in immediately available funds. Secondary market trading between the Depositary's participants will occur in the ordinary way in accordance with the Depositary's rules and will be settled in immediately available funds using the Depositary's Same-Day Funds Settlement System. Secondary market trading between Clearstream, Luxembourg customers and/or Euroclear participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream, Luxembourg and Euroclear and will be settled using the procedures applicable to conventional Eurobonds in immediately available funds.

Cross-market transfers between persons holding directly or indirectly through the Depositary on the one hand, and directly or indirectly through Clearstream, Luxembourg customers or Euroclear participants, on the other, will be effected through the Depositary in accordance with the Depositary's rules on behalf of the relevant European international clearing system by its U.S. depositary; however, these cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the clearing system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its U.S. depositary to take action to effect final settlement on its behalf by delivering interests in the securities to or receiving interests in the securities from the Depositary, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to the Depositary. Clearstream, Luxembourg customers and Euroclear participants may not deliver instructions directly to their respective U.S. depositaries.

Because of time-zone differences, credits of interests in the securities received in Clearstream, Luxembourg or Euroclear as a result of a transaction with a Depositary participant will be made during subsequent securities settlement processing and dated the business day following the Depositary settlement date. Credits of interests or any transactions involving interests in the securities received in Clearstream, Luxembourg or Euroclear as a result of a transaction with a Depositary participant and settled during subsequent securities settlement processing will be reported to the relevant Clearstream, Luxembourg customers or Euroclear participants on the business day following the Depositary settlement date. Cash received in Clearstream, Luxembourg or Euroclear as a result of sales of interests in the securities by or through a Clearstream, Luxembourg customer or a Euroclear participant to a Depositary participant will be received with value on the Depositary settlement date but will be available in the relevant Clearstream, Luxembourg or Euroclear cash account only as of the business day following settlement in the Depositary.

Although the Depositary, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the securities among participants of the Depositary, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform the foregoing procedures and these procedures may be changed or discontinued at any time.

Payment of Additional Amounts

If specified in the applicable prospectus supplement, we will, with respect to any of the securities offered on a global basis through the Depositary and subject to certain exceptions and limitations set forth below, pay any additional amounts, the "additional amounts," to the beneficial owner of any security who is a U.S. Alien (as defined below) as may be necessary in order that every net payment of the principal of and interest on such security and any other amounts payable on such security, after withholding or deduction for or on account of any present or future tax, assessment or governmental charge imposed upon or as a result of the payment by the United States, or any political subdivision or taxing authority of or in the United States, will not be less than the amount provided for in such security to be then due and payable.

We will not, however, make any payment of additional amounts to any beneficial owner who is a U.S. Alien (as defined below) for or on account of:

- any present or future tax, assessment or other governmental charge that would not have been so imposed but for
  - the existence of any present or former connection between the beneficial owner of such security, or between a fiduciary, settlor, beneficiary, member or shareholder of the beneficial owner, if the beneficial owner is an estate, a trust, a partnership or a corporation for U.S. federal income tax purposes, and the United States, including, without limitation, the beneficial owner, or the fiduciary, settlor, beneficiary, member or shareholder, being or having been a citizen or resident of the United States or being or having been engaged in the conduct of a trade or business or present in the United States or having, or having had, a permanent establishment in the United States; or
  - the presentation by or on behalf of the beneficial owner of such security for payment on a date more than 15 days after the date on which payment became due and payable or the date on which payment in respect of such security is duly provided for, whichever occurs later;
- any estate, inheritance, gift, sales, transfer, excise or personal property tax or any similar tax, assessment or governmental charge;
- any tax, assessment or other governmental charge imposed by reason of the beneficial owner's past or present status as a controlled foreign corporation or passive foreign investment company with respect to the United States or as a corporation that accumulates earnings to avoid U.S. federal income tax or as a private foundation or other tax-exempt organization;
- any tax, assessment or other governmental charge that is payable otherwise than by withholding or deduction from payments on or in respect of such security;
- any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal of, or interest on, such security, if payment can be made without withholding by at least one other paying agent;
- any tax, assessment or other governmental charge imposed solely because the holder or the beneficial owner (1) is a bank purchasing such security in the ordinary course of its lending business or (2) is a bank that is neither (A) buying such security for investment purposes nor (B) buying such security for resale to a third party that either is not a bank or holding such security for investment purposes only;
- any tax, assessment or other governmental charge that would not have been imposed but for the failure to comply with certification, information or other reporting requirements concerning the nationality, residence, identity or connection with the United States of the beneficial owner of such security, if compliance is required by statute or by regulation of the United States or of any political subdivision or taxing authority of or in the United States as a precondition to relief or exemption from the tax, assessment or other governmental charge;
- any withholding tax that would not have been imposed but for the failure to satisfy the conditions for avoiding withholding tax under Sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended, and any applicable Treasury regulations promulgated thereunder or published administrative guidance implementing such sections;
- any tax, assessment or other governmental charge imposed by reason of the beneficial owner's past or present status as the actual or constructive owner of 10% or more of the total combined voting power of all classes of our stock entitled to vote or as a direct or indirect subsidiary of ours; or
- any combination of the items listed above.

In addition, we will not be required to make any payment of additional amounts with respect to any security presented for payment:

- where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any law implementing or complying with, or introduced in order to conform to, any European Union Directive on the taxation of savings; or
- by or on behalf of a beneficial owner who would have been able to avoid such withholding or deduction by presenting the relevant security to another paying agent in a member state of the European Union.

Nor will we pay additional amounts with respect to any payment on a security to a U.S. Alien who is a fiduciary or partnership or other than the sole beneficial owner of the payment to the extent the payment would be required by the laws of the United States (or any political subdivision of the United States) to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary or a member of the partnership or a beneficial owner who would not have been entitled to the additional amounts had the beneficiary, settlor, member or beneficial owner held its interest in such security directly.

As used in this prospectus, the term "U.S. Alien" means any person who is, for U.S. federal income tax purposes, (i) a nonresident alien individual, (ii) a foreign corporation, (iii) a foreign trust as defined by the Internal Revenue Code of 1986, as amended or (iv) a foreign partnership one or more of the members of which is, for U.S. federal income tax purposes, a nonresident alien individual, a foreign corporation or a nonresident alien fiduciary of a foreign estate or trust.

Tax Redemption

If specified in the applicable prospectus supplement, we may redeem, in whole but not in part, any of the securities offered on a global basis through the Depositary at our option at any time prior to maturity, upon the giving of a notice of tax redemption as described below, at a redemption price equal to 100% of the principal amount of those securities, except as otherwise specified in the applicable prospectus supplement, together with accrued interest to the date fixed for redemption, if we determine that, as a result of any change in or amendment to the laws (including a holding, judgment or as ordered by a court of competent jurisdiction), or any regulations or rulings promulgated thereunder, of the United States or of any political subdivision or taxing authority of or in the United States affecting taxation, or any change in official position regarding the application or interpretation of those laws, regulations or rulings, which change or amendment occurs, becomes effective or, in the case of a change in official position, is announced on or after the date of the applicable prospectus supplement, we have or will become obligated to pay additional amounts, as defined above under "—Payment of Additional Amounts", with respect to such securities as described above under "—Payment of Additional Amounts." Prior to the giving of any notice of tax redemption pursuant to this paragraph, we will deliver to the trustee:

- a certificate stating that we are entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to our right to so redeem have occurred; and
- an opinion of independent legal counsel satisfactory to the trustee to the effect that we are entitled to effect the redemption based on the statement of facts set forth in the certificate;

provided that no notice of tax redemption shall be given earlier than 60 days prior to the earliest date on which we would be obligated to pay the additional amounts if a payment in respect of the securities were then due.

Notice of tax redemption will be given not less than 30 nor more than 60 days prior to the date fixed for redemption, which date and the applicable redemption price will be specified in the notice. Notice will be given in accordance with "—Notices" below.

Notices

Notices to holders of the securities will be given by mailing the notices to each holder by first-class mail, postage prepaid, at the respective address of each holder as that address appears upon our books. Notices given to the Depositary, as holder of the registered global securities, will be passed on to the beneficial owners of the securities in accordance with the standard rules and procedures of the Depositary and its direct and indirect participants, including Clearstream, Luxembourg and Euroclear.

UNITED STATES FEDERAL TAXATION

The following is a general discussion of the material U.S. federal income tax consequences and certain estate tax consequences of ownership and disposition of debt securities issued under this prospectus ("debt securities"). This discussion only applies to initial investors in debt securities who, for U.S. federal income tax purposes:

- purchase the debt securities at their "issue price," which will equal the first price at which a substantial amount of the debt securities is sold to the public (not including bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and
- will hold the debt securities as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code").

Subject to any additional discussions in the applicable prospectus supplement or pricing supplement, it is expected, and the discussion below assumes, that, for U.S. federal income tax purposes:

- the debt securities will be treated as debt obligations; and
- the issue price of a debt security is equal to its stated issue price indicated in the applicable prospectus supplement or pricing supplement.

This discussion is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as of the date hereof, changes to any of which subsequent to the date of this prospectus may affect the tax consequences described herein. Persons considering the purchase of debt securities should consult their tax advisers with regard to the application of the U.S. federal tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

This discussion is subject to any additional discussion regarding U.S. federal taxation contained in the applicable prospectus supplement or pricing supplement. Accordingly, you should also consult the applicable prospectus supplement or pricing supplement for any additional discussion of U.S. federal taxation with respect to the specific debt securities offered thereunder.

This discussion does not describe all of the tax consequences that may be relevant to a holder in light of the holder's particular circumstances or to holders subject to special rules, such as:

- certain financial institutions;
- insurance companies;
- certain dealers and traders in securities, commodities, or foreign currencies;
- investors holding debt securities as part of a hedging transaction, "straddle," conversion transaction, integrated transaction or constructive sale transaction;
- U.S. Holders (as defined below) whose functional currency is not the U.S. dollar;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes;
- regulated investment companies;
- real estate investment trusts;
- tax-exempt entities, including "individual retirement accounts" or "Roth IRAs" as defined in Section 408 or 408A of the Code, respectively; or
- persons subject to the alternative minimum tax.

Tax Consequences to U.S. Holders

This section applies to you only if you are a U.S. Holder. As used herein, the term "U.S. Holder" means a beneficial owner of debt securities that is, for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

The term U.S. Holder also includes certain former citizens and residents of the United States.

Payments of Stated Interest. Subject to the discussion below, interest paid on a debt security will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

Discount Notes. A debt security that is issued at an issue price less than its "stated redemption price at maturity" will be considered to have been issued with original issue discount for U.S. federal income tax purposes (and will be referred to in this discussion as a "discount note") unless the debt security satisfies a *de minimis* threshold (as described below) or is a short-term note (as defined below). In such case, the amount of original issue discount will be equal to the excess of the "stated redemption price at maturity" over the issue price. The "stated redemption price at maturity" of a debt security will equal the sum of all payments required under the debt security other than payments of "qualified stated interest." "Qualified stated interest" is stated interest unconditionally payable as a series of payments (other than debt instruments of the issuer) at least annually during the entire term of the debt security and equal to the outstanding principal balance of the debt security multiplied by:

- a single fixed rate of interest payable throughout the term of the debt security;
- a single variable rate payable throughout the term of the debt security; or
- to the extent described as such in the applicable prospectus supplement or pricing supplement, any other floating rate or rates.

If the difference between a debt security's stated redemption price at maturity and its issue price is less than a *de minimis* amount, *i.e.*, ¼ of 1 percent of the stated redemption price at maturity multiplied by the number of complete years to maturity, then the debt security will not be considered to have original issue discount.

A U.S. Holder of discount notes will be required to include any qualified stated interest payments in income in accordance with the holder's method of accounting for U.S. federal income tax purposes. Subject to the discussion below concerning "short-term notes," U.S. Holders of discount notes will be required to include original issue discount in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest, without regard to the timing of the receipt of cash payments attributable to this income. Under this method, U.S. Holders of discount notes generally will be required to include in income increasingly greater amounts of original issue discount in successive accrual periods.

A U.S. Holder may make an election to include in gross income all interest that accrues on any debt security (including stated interest, original issue discount and *de minimis* original issue discount, as adjusted by any amortizable bond premium) in accordance with a constant yield method based on the compounding of interest (a "constant yield election"). Such election may be revoked only with the permission of the Internal Revenue Service (the "IRS").

Discount Notes Subject to Early Redemption. Discount notes subject to one or more "call options" (*i.e.*, our unconditional option to redeem a debt security prior to its stated maturity date) or one or more "put options" (*i.e.*, a holder's unconditional option to require redemption prior to maturity) may be subject to rules that differ from the general rules described above for purposes of determining the yield and maturity of the debt security. Under applicable Treasury regulations, a call option will be presumed to be exercised if the exercise of the option will lower the yield on the debt security. Conversely, a put option will be presumed to be exercised if the exercise of the option will increase the yield on the debt security. In either case, if this option is not in fact exercised, the debt security would be treated solely for purposes of calculating original issue discount as if it were redeemed, and a new debt security were issued, on the presumed exercise date for an amount equal to the debt security's adjusted issue price (which generally equals the issue price of the debt security, increased by the amount of original issue discount previously includible in the gross income of the holder and decreased by the amount of any payment previously made on the debt security other than a payment of qualified stated interest) on that date.

Short-Term Notes. A debt security that matures (after taking into account the last possible date that the debt security could be outstanding under the terms of the debt security) one year or less from its issue date (a "short-term note") will be treated as being issued at a discount and none of the interest paid on the debt security will be treated as qualified stated interest. In general, a cash-method U.S. Holder of a short-term note is not required to accrue the discount for U.S. federal income tax purposes unless it elects to do so. Holders who so elect and certain other holders, including those who report income on the accrual method of accounting for U.S. federal income tax purposes, are required to include the discount in income as it accrues on a straight-line basis, unless another election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a holder who is not required and who does not elect to apply an accrual method of tax accounting to the short-term note, any gain realized on the sale, exchange or retirement of the short-term note will be ordinary income to the extent of the discount accrued on a straight-line basis (or, if elected, according to a constant yield method based on daily compounding) through the date of sale, exchange or retirement. In addition, those holders will be required to defer deductions for any interest paid on indebtedness incurred to purchase or carry the short-term note, in an amount not exceeding the accrued discount, until the accrued discount is included in income.

Amortizable Bond Premium. If a U.S. Holder purchases a debt security for an amount that is greater than the sum of all amounts payable on the debt security other than qualified stated interest, the holder will be considered to have purchased the debt security with amortizable bond premium equal to such excess. Special rules may apply in the case of debt securities that are subject to optional redemption. A U.S. Holder may generally use the amortizable bond premium allocable to an accrual period to offset qualified stated interest required to be included in such holder's income with respect to the debt security in that accrual period. A holder who elects to amortize bond premium must reduce its tax basis in the debt security by the amount of the premium previously amortized. An election to amortize bond premium applies to all taxable debt obligations then owned and thereafter acquired by the holder and may be revoked only with the consent of the IRS.

If a U.S. Holder makes a constant yield election (as described under "Discount Notes" above) for a debt security with amortizable bond premium, such election will result in a deemed election to amortize bond premium for all of the holder's debt instruments with amortizable bond premium and may be revoked only with the permission of the IRS with respect to debt instruments acquired after revocation.

Sale, Exchange or Retirement of the Debt Securities. Upon the sale, exchange or retirement of a debt security, a U.S. Holder will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and the holder's adjusted tax basis in the debt security. For these purposes, the amount realized does not include any amount attributable to accrued but unpaid interest. Amounts attributable to accrued but unpaid interest are treated as interest as described under "Payments of Stated Interest" above.

A U.S. Holder's adjusted tax basis in a debt security will equal the cost of the debt security to the holder, increased by the amounts of any original issue discount previously included in income by the holder with respect to the debt security and reduced by any principal payments received by the holder and, in the case of a discount note, by the amounts of any other payments that do not constitute qualified stated interest (as defined above).

Subject to the discussion above in "Short-Term Notes," gain or loss realized on the sale, exchange or retirement of a debt security will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or retirement the debt security has been held for more than one year, and short-term capital gain or loss otherwise.

Backup Withholding and Information Reporting. Backup withholding may apply in respect of payments on the debt securities and the proceeds from a sale or other disposition of the debt securities, unless a U.S. Holder provides proof of an applicable exemption or a correct taxpayer identification number, and otherwise complies with applicable requirements of the backup withholding rules. The amounts withheld under the backup withholding rules are not an additional tax and may be refunded, or credited against the U.S. Holder's U.S. federal income tax liability, provided that the required information is furnished to the IRS. In addition, information returns may be filed with the

IRS in connection with payments on the debt securities and the proceeds from a sale or other disposition of the debt securities, unless the U.S. Holder provides proof of an applicable exemption from the information reporting rules.

Tax Consequences to Non-U.S. Holders

This section applies to you only if you are a Non-U.S. Holder. As used herein, the term “Non-U.S. Holder” means a beneficial owner of debt securities that is, for U.S. federal income tax purposes:

- an individual who is classified as a nonresident alien;
- a foreign corporation; or
- a foreign estate or trust.

The term “Non-U.S. Holder” does not include any of the following holders:

- a holder who is an individual present in the United States for 183 days or more in the taxable year of disposition and who is not otherwise a resident of the United States for U.S. federal income tax purposes;
- certain former citizens or residents of the United States; or
- a holder for whom income or gain in respect of debt securities is effectively connected with the conduct of a trade or business in the United States.

Such holders should consult their tax advisers regarding the U.S. federal income tax consequences of an investment in debt securities.

Subject to the discussion below concerning backup withholding and the discussion under “—Legislation Affecting Certain Non-U.S. Holders,” a Non-U.S. Holder will not be subject to U.S. federal income or withholding tax in respect of amounts paid on debt securities, provided that:

- the Non-U.S. Holder does not own, directly or by attribution, ten percent or more of the total combined voting power of all classes of our stock entitled to vote;
- the Non-U.S. Holder is not a controlled foreign corporation related, directly or indirectly, to us through stock ownership;
- the Non-U.S. Holder is not a bank receiving interest under Section 881(c)(3)(A) of the Code; and
- the certification requirement described below has been fulfilled with respect to the beneficial owner, as described below.

Certification Requirement. The certification requirement referred to in the preceding paragraph will be fulfilled if the beneficial owner of a debt security (or a financial institution holding the debt security on behalf of the beneficial owner) furnishes to the applicable withholding agent an IRS Form W-8BEN, on which the beneficial owner certifies under penalties of perjury that it is not a U.S. person.

United States Federal Estate Tax. Individual Non-U.S. Holders and entities the property of which is potentially includible in such an individual’s gross estate for U.S. federal estate tax purposes (for example, a trust funded by such an individual and with respect to which the individual has retained certain interests or powers), should note that, absent an applicable treaty benefit, a debt security that is treated as a debt obligation for U.S. federal estate tax purposes will be treated as U.S. *situs* property subject to U.S. federal estate tax if payments on the debt security, if received by the decedent at the time of death, would have been subject to U.S. federal withholding tax (even if the W-8BEN certification requirement described above were satisfied and not taking into account an elimination of such U.S. federal withholding tax due to the application of an income tax treaty).

Non-U.S. Holders should consult their tax advisers regarding the U.S. federal estate tax consequences of an investment in the debt securities in their particular situations and the availability of benefits provided by an applicable estate tax treaty, if any.

Backup Withholding and Information Reporting. Information returns will generally be filed with the IRS in connection with payments on debt securities. Unless the Non-U.S. Holder complies with certification procedures to establish that it is not a U.S. person, information returns may be filed with the IRS in connection with the proceeds from a sale or other disposition of a debt security and the Non-U.S. Holder may be subject to U.S. backup withholding on payments on debt securities or on the proceeds from a sale or other disposition of debt securities. The certification procedures required to claim the exemption from withholding tax on interest (including original issue discount, if any) described above will satisfy the certification requirements necessary to avoid backup withholding as well. The amount of any backup withholding from a payment to a Non-U.S. Holder will be allowed as a credit against the Non-U.S. Holder's U.S. federal income tax liability and may entitle the Non-U.S. Holder to a refund, provided that the required information is furnished to the IRS.

Legislation Affecting Certain Non-U.S. Holders

The Hiring Incentives to Restore Employment Act of 2010 generally imposes withholding of 30% on payments to certain foreign entities (including financial intermediaries) with respect to certain financial instruments, such as a debt security, issued after March 18, 2012, unless various U.S. information reporting and due diligence requirements (that are in addition to, and potentially significantly more onerous than, the requirement to deliver an IRS Form W-8BEN, as discussed above) have been satisfied. Pursuant to published guidance from the IRS and the U.S. Treasury Department, this legislation applies to payments of interest made after December 31, 2013 and payments of gross proceeds made after December 31, 2014. If withholding is required, we will not be required to pay any additional amounts with respect to any amounts withheld. Non-U.S. Holders should consult their tax advisors regarding the possible implications of this legislation for their investment in debt securities.

PLAN OF DISTRIBUTION (CONFLICTS OF INTEREST)

We may sell the securities being offered by this prospectus in three ways: (1) through agents, (2) through underwriters and (3) through dealers. The agents, underwriters or dealers in the United States generally will include Morgan Stanley & Co. LLC, which we refer to as MS & Co., or other affiliates of ours, and the agents, underwriters, or dealers outside the United States will include Morgan Stanley & Co. International plc, which we refer to as MSI**,** or other affiliates of ours. We may sell our shares at market prices prevailing at the time of sale, at prices related to such prevailing market prices, at negotiated prices or at fixed prices. Any at-the-market offering of common stock will be through an underwriter, or underwriters, acting as principal(s) or agent(s) for us.

We may designate agents from time to time to solicit offers to purchase these securities. We will name any such agent, who may be deemed to be an underwriter as that term is defined in the Securities Act, and state any commissions we are to pay to that agent in the applicable prospectus supplement. That agent will be acting on a reasonable efforts basis for the period of its appointment or, if indicated in the applicable prospectus supplement, on a firm commitment basis.

If we use any underwriters to offer and sell these securities, we will enter into an underwriting agreement with those underwriters when we and they determine the offering price of the securities, and we will include the names of the underwriters and the terms of the transaction in the applicable prospectus supplement.

If we use a dealer to offer and sell these securities, we will sell the securities to the dealer, as principal, and will name the dealer in the applicable prospectus supplement. The dealer may then resell the securities to the public at varying prices to be determined by that dealer at the time of resale.

Our net proceeds will be the purchase price in the case of sales to a dealer, the public offering price less discount in the case of sales to an underwriter or the purchase price less commission in the case of sales through an agent—in each case, less other expenses attributable to issuance and distribution.

In order to facilitate the offering of these securities, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of these securities or any other securities the prices of which may be used to determine payments on these securities. Specifically, the underwriters may sell more securities than they are obligated to purchase in connection with the offering, creating a short position for their own accounts. A short sale is covered if the short position is no greater than the number or amount of securities available for purchase by the underwriters under any overallotment option. The underwriters can close out a covered short sale by exercising the overallotment option or purchasing these securities in the open market. In determining the source of securities to close out a covered short sale, the underwriters will consider, among other things, the open market price of these securities compared to the price available under the overallotment option. The underwriters may also sell these securities or any other securities in excess of the overallotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing securities in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of these securities in the open market after pricing that could adversely affect investors who purchase in the offering. As an additional means of facilitating the offering, the underwriters may bid for, and purchase, these securities or any other securities in the open market to stabilize the price of these securities or of any other securities. Finally, in any offering of the securities through a syndicate of underwriters or dealer group, the agent acting on behalf of the underwriting syndicate or for itself may also reclaim selling concessions allowed to an underwriter or a dealer for distributing these securities in the offering, if the agent repurchases previously distributed securities to cover syndicate short positions or to stabilize the price of these securities. Any of these activities may raise or maintain the market price of these securities above independent market levels or prevent or retard a decline in the market price of these securities. The underwriters are not required to engage in these activities and may end any of these activities at any time.

If so indicated in the applicable prospectus supplement, one or more firms, including MS & Co. and MSI, which we refer to as "remarketing firms," acting as principals for their own accounts or as agents for us, may offer and sell these securities as part of a remarketing upon their purchase, in accordance with their terms. We will identify any remarketing firm, the terms of its agreement, if any, with us and its compensation in the applicable prospectus supplement.

Remarketing firms, agents, underwriters and dealers may be entitled under agreements with us to indemnification by us against some civil liabilities, including liabilities under the Securities Act, and may be customers of, engage in transactions with, or perform services for us in the ordinary course of business.

We may enter into derivative or other hedging transactions with financial institutions. These financial institutions may in turn engage in sales of common stock to hedge their position, deliver this prospectus in connection with some or all of those sales and use the shares covered by this prospectus to close out any loan of common stock or short position created in connection with those sales. We may also sell shares of common stock short using this prospectus and deliver common stock covered by this prospectus to close out any loan of common stock or such short positions, or loan or pledge common stock to financial institutions that in turn may sell the shares of common stock using this prospectus. We may pledge or grant a security interest in some or all of the common stock covered by this prospectus to support a derivative or hedging position or other obligation and, if we default in the performance of our obligations, the pledgees or secured parties may offer and sell the common stock from time to time pursuant to this prospectus.

If so indicated in the prospectus supplement, we will authorize agents, underwriters or dealers to solicit offers by some purchasers to purchase debt securities or warrants, purchase contracts or units, as the case may be, from us at the public offering price stated in the prospectus supplement under delayed delivery contracts providing for payment and delivery on a specified date in the future. These contracts will be subject to only those conditions described in the prospectus supplement, and the prospectus supplement will state the commission payable for solicitation of these offers.

Each underwriter, agent or dealer participating in the offering of the securities will represent and agree that it will comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers the securities or possesses or distributes the applicable prospectus supplement or this prospectus and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes purchases, offers or sales of the securities, and we shall not have responsibility for the underwriter's, agent's or dealer's compliance with the applicable laws and regulations or obtaining any required consent, approval or permission.

We estimate that we will spend approximately $2,800,000 for printing, rating agency, trustees' and legal fees and other expenses allocable to the offering of the securities registered on our shelf registration statement.

With respect to sales of securities in any jurisdictions outside of the United States, purchasers of any such securities may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the issue price set forth on the cover page of the applicable prospectus supplement.

Any underwriter, agent or dealer utilized in the initial offering of securities will not confirm sales to accounts over which it exercises discretionary authority without the prior specific written approval of its customer.

MS & Co. and MSI are wholly owned subsidiaries of Morgan Stanley. Each initial offering of securities will be conducted in compliance with the requirements of FINRA Rule 5121 of the Financial Industry Regulatory Authority, Inc. ("FINRA"), regarding a FINRA member firm's distribution of the securities of an affiliate. Following the initial distribution of any of these securities, MS & Co., MSI and other affiliates of Morgan Stanley may offer and sell these securities (as well as securities initially offered and sold by Morgan Stanley and its predecessors under previous registrations statements) in the course of their business as broker dealers, subject, in the case of common stock, preferred stock and depositary shares, to obtaining any necessary approval of the New York Stock Exchange LLC for any of the offers and sales MS & Co. may make. MS & Co., MSI and other affiliates may act as principals or agents in these transactions and may make any sales at varying prices related to prevailing market prices at the time of sale or otherwise. MS & Co., MSI and other affiliates may use this prospectus in connection with these transactions. None of MS & Co., MSI or any other affiliate is obligated to make a market in any of these securities and may discontinue any market making activities at any time without notice.

Underwriters, agents and dealers participating in offerings of the securities that are not our affiliates may presently or from time to time engage in business transactions with us, including extending loans to us.

Underwriting discounts and commissions on securities sold in the initial distribution will not exceed 8% of the offering proceeds.

LEGAL MATTERS

The validity of these securities will be passed upon for Morgan Stanley by Davis Polk & Wardwell LLP , or other counsel who is satisfactory to MS & Co. or MSI, as the case may be, and who may be an officer of Morgan Stanley. Sidley Austin LLP will pass upon some legal matters relating to these securities for the underwriters. Sidley Austin LLP has in the past represented Morgan Stanley and continues to represent Morgan Stanley on a regular basis and in a variety of matters.

EXPERTS

The consolidated financial statements incorporated in this prospectus by reference for the year ended December 31, 2010 and the effectiveness of the Company's internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports dated February 28, 2011, which are incorporated herein by reference (which (1) report on the consolidated financial statements expresses an unqualified opinion and includes an explanatory paragraph concerning the Company changing its fiscal year end from November 30 to December 31 and (2) report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2010 expresses an unqualified opinion). Such consolidated financial statements have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

With respect to the condensed consolidated financial statements for the periods ended March 31, 2011 and 2010, June 30, 2011 and 2010, and September 30, 2011 and 2010 which are incorporated herein by reference, Deloitte & Touche LLP, an independent registered public accounting firm, have applied limited procedures in accordance with the standards of the Public Company Accounting Oversight Board (United States) for a review of such information. However, as stated in their reports included in Morgan Stanley's Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2011, June 30, 2011, and September 30, 2011 and incorporated by reference herein, they did not audit and they do not express an opinion on those condensed consolidated financial statements. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied. Deloitte & Touche LLP are not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their reports on the unaudited condensed consolidated financial statements because those reports are not "reports" or a "part" of the registration statement prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Securities Act.

BENEFIT PLAN INVESTOR CONSIDERATIONS

Each fiduciary of a pension, profit-sharing or other employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), which we refer to as a "plan," should consider the fiduciary standards of ERISA in the context of the plan's particular circumstances before authorizing an investment in these securities. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the plan.

In addition, we and certain of our subsidiaries and affiliates, including MS & Co., may be considered a "party in interest" within the meaning of ERISA, or a "disqualified person" within the meaning of the Code, with respect to many plans, as well as many individual retirement accounts and Keogh plans (also "plans"). Prohibited transactions within the meaning of ERISA or the Code would likely arise, for example, if these securities are acquired by or with the assets of a plan with respect to which MS & Co. or any of its affiliates is a service provider or other party in interest, unless the securities are acquired pursuant to an exemption from the "prohibited transaction" rules. A violation of these "prohibited transaction" rules could result in an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for those persons, unless exemptive relief is available under an applicable statutory or administrative exemption.

The U.S. Department of Labor has issued five prohibited transaction class exemptions ("PTCEs") that may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of these securities. Those class exemptions are PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts) and PTCE 84-14 (for certain transactions determined by independent qualified professional asset managers). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code may provide an exemption for the purchase and sale of securities and the related lending transactions, provided that neither the issuer of the securities nor any of its affiliates has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of any plan involved in the transaction, and provided further that the plan pays no more, and receives no less, than "adequate consideration" in connection with the transaction (the so-called "service provider" exemption). There can be no assurance that any of these class or statutory exemptions will be available with respect to transactions involving these securities.

Because we may be considered a party in interest with respect to many plans, unless otherwise specified in the applicable prospectus supplement, these securities may not be purchased, held or disposed of by any plan, any entity whose underlying assets include "plan assets" by reason of any plan's investment in the entity (a "plan asset entity") or any person investing "plan assets" of any plan, *unless* such purchase, holding or disposition is eligible for exemptive relief, including relief available under PTCEs 96-23, 95-60, 91-38, 90-1, 84-14 or the service provider exemption or such purchase, holding or disposition is otherwise not prohibited. Unless otherwise specified in the applicable prospectus supplement, any purchaser, including any fiduciary purchasing on behalf of a plan, transferee or holder of these securities will be deemed to have represented, in its corporate and its fiduciary capacity, by its purchase and holding of these securities that either (a) it is not a plan or a plan asset entity, is not purchasing such securities on behalf of or with "plan assets" of any plan, or with any assets of a governmental, non-U.S. or church plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code ("Similar Law") or (b) its purchase, holding and disposition are eligible for exemptive relief or such purchase, holding and disposition are not prohibited by ERISA or Section 4975 of the Code or any Similar Law.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing these securities on behalf of or with "plan assets" of any plan consult with their counsel regarding the availability of exemptive relief.

Each purchaser and holder of these securities has exclusive responsibility for ensuring that its purchase, holding and disposition of the securities do not violate the prohibited transaction rules of ERISA or the Code or any Similar Law. The sale of any of these securities to any plan or plan subject to Similar Law is in no respect a representation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by plans generally or any particular plan, or that such an investment is appropriate for plans generally or any particular plan.

Morgan Stanley