



**Information Circular 09-034**

**Date:** February 11, 2009

**Re: Morgan Stanley & Co., Inc. SPARQS**

Pursuant to Rule 14.1(c)(2) of the Rules of BATS Exchange, Inc. (the "Exchange"), this Information Circular is being issued to advise you that the following securities have been approved for trading on the Exchange as UTP Derivative Securities pursuant to Chapter XIV of the Exchange's Rules.

**Security ("SPARQS")**

**Symbol**

Morgan Stanley 10% Stock Participation Accreting Redemption Quarterly-pay Securities Mandatorily Exchangeable for Common Stock of AT&T Inc.

TQK

**Commencement of Trading on the Exchange:** February 12, 2009

**Issuer/Trust:** Morgan Stanley & Co., Inc.

**Issuer Website:** <http://www.morganstanley.com>

**Primary Listing Exchange:** NYSE Arca

**Primary Exchange Circular:** RB-08-313 (November 24, 2008)

The purpose of this information circular is to outline various rules and policies that will be applicable to trading in this new product on the Exchange, as well as to provide certain characteristics and features of the SPARQS.

**Background Information on the SPARQS**

The Issuer has issued 10% SPARQS mandatorily exchangeable for common stock of AT&T Inc. ("AT&T"). The SPARQS were priced at \$19.015 each and mature on April 20, 2009.

The SPARQS will pay 10% coupon per annum, payable quarterly beginning July 20, 2008. If not previously called by the Issuer, investors will receive 0.50 shares of AT&T common stock per SPARQS at maturity. SPARQS are not principal protected.

Beginning October 20, 2008, the Issuer may call all of the SPARQS for a cash call price that, together with coupons paid from the issue date through the call date, gives the SPARQS a yield to call of 19% of the original issue price.

Investors in SPARQS will not be entitled to any rights with respect to AT&T until such time as the Issuer shall deliver AT&T shares to investors in the SPARQS, if applicable.

It is expected that the market value of the SPARQS will depend substantially on the value of AT&T and may be affected by a number of other interrelated factors including, among other things: the general level of interest rates, the volatility of AT&T stock, the time remaining to maturity, the dividend yield of AT&T stock, and the credit ratings of the Issuer.

Investors should note that AT&T is not involved in the subject offering and has no obligation with respect to these securities whatsoever, including any obligations with respect to the principal amount to be paid at

maturity, or to take the needs of the Issuer or holders of SPARQS into consideration. Any dividends or distributions to the underlying common stock will not be paid to holders of SPARQS.

The Trustee for the securities is The Bank of New York.

### **Exchange Rules Applicable to Trading in the SPARQS**

Trading in the SPARQS on BATS is subject to BATS equity trading rules.

### **Trading Hours**

The SPARQS will trade on BATS between 8:00 a.m. and 4:00 p.m. ET.

Please note that trading in the SPARQS during the Exchange's pre-opening session may result in additional trading risks which include: (1) that the current underlying indicative value may not be updated during the pre-opening session, (2) the indicative value may not be updated during the pre-opening session, (3) lower liquidity in the pre-opening session may impact pricing, (5) higher volatility in the pre-opening session may impact pricing, (6) wider spreads may occur in the pre-opening session, and (7) because the indicative value is not calculated or widely disseminated during the pre-opening session, an investor who is unable to calculate an implied value for the SPARQS in that session may be at a disadvantage to market professionals.

### **Suitability**

Trading in the securities on BATS will be subject to the provisions of Exchange Rule 3.7. Members recommending transactions in the securities to customers should make a determination that the recommendation is suitable for the customer. Members should adopt appropriate procedures for the opening and maintaining of accounts, including the maintaining of records prescribed by any applicable regulatory organization and by the rules and regulations of the Commission.

### **Trading Halts**

BATS will halt trading in the shares of a security in accordance with BATS Rule 14.1(c)(4). The grounds for a halt under BATS Rule 14.1(c)(4) include a halt by the primary market because the intraday indicative value of the security and/or the value of its underlying index are not being disseminated as required, or a halt for other regulatory reasons. In addition, BATS will stop trading the shares of a security if the primary market de-lists the security.

**This Information Circular is not a statutory prospectus. BATS Members should consult the prospectus for a security and the security's website for relevant information.**

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