

1 aggregate household position(s) at Morgan Stanley as of August 31, 2008, or, if the
2 customer was not a customer of Morgan Stanley as of August 31, 2008, as of the date that
3 the customer terminated its customer relationship with Morgan Stanley. Notwithstanding
4 any other provision, "Small Businesses" does not include broker-dealers or banks acting as
5 conduits for their customers.

6 11. Morgan Stanley shall offer to purchase, at par plus accrued and unpaid
7 dividends/interest, from Retail ARS Investors their Eligible ARS that were not clearing as of
8 September 30, 2008 ("Buyback Offer"), and explain to such Retail ARS Investors what they must
9 do to accept, in whole or in part, the Buyback Offer. The Buyback Offer shall remain open until at
10 least January 11, 2009 ("Offer Period"). Morgan Stanley may in its sole discretion extend the
11 Offer Period beyond this date.

12 12. Morgan Stanley shall have undertaken its best efforts to identify and provide notice
13 to Retail ARS Investors who invested in Eligible ARS that were not clearing as of September 30,
14 2008, of the relevant terms of this Order by October 20, 2008.

15 13. Retail ARS Investors may accept the Buyback Offer by notifying Morgan Stanley at
16 any time before midnight, Eastern Time, January 11, 2009, or such later date and time as Morgan
17 Stanley may in its sole discretion decide to extend the Offer Period. For Retail ARS Investors who
18 accept the Buyback Offer prior to December 11, 2008, Morgan Stanley shall have purchased their
19 Eligible ARS by December 15, 2008. Morgan Stanley shall have purchased the Eligible ARS of all
20 other Retail ARS Investors who accept the Buyback Offer within the Offer Period, on or before
21 January 16, 2009.

22 14. If at any time between January 12, 2009, and December 31, 2009, a Retail ARS
23 Investor who did not accept the Buyback Offer contacts Morgan Stanley and affirms that he or she
24 did not receive notice of the Buyback Offer prior to January 11, 2009, Morgan Stanley will
25 purchase the Eligible ARS of such investor.

1 outlining the efforts in which Morgan Stanley has engaged and the results of those efforts with
2 respect to Morgan Stanley institutional investors' holdings in Eligible ARS. Morgan Stanley shall,
3 at the option of the representative specified by NASAA, confer with such representative no less
4 frequently than quarterly to discuss Morgan Stanley's progress. Such quarterly meetings shall
5 continue until no later than December 2009. Following every quarterly meeting, the representative
6 shall advise Morgan Stanley of any concerns and, in response, Morgan Stanley shall detail the
7 steps that Morgan Stanley plans to implement to address such concerns. The reporting or meeting
8 deadlines set forth above may be amended upon Morgan Stanley's request if written permission is
9 received from the representative specified by NASAA.

10 **Relief for Municipal Issuers**

11 23. Morgan Stanley shall promptly refund to municipal issuers refinancing fees the
12 issuers paid to Morgan Stanley for the refinancing of their auction rate securities, where such
13 refinancing occurred between February 11, 2008, and the date of this Order and where Morgan
14 Stanley acted as underwriter for the primary offering of the auction rate securities between August
15 1, 2007, and February 11, 2008. Nothing in this Order precludes the Division from pursuing any
16 other civil action that may arise with regard to auction rate securities other than the marketing and
17 sale of auction rate securities to retail investors.

18 **Additional Considerations**

19 24. Nothing herein shall preclude the State of Wisconsin, its departments, agencies,
20 boards, commissions, authorities, political subdivisions and corporations (collectively, "State
21 Entities"), other than the Division and only to the extent set forth in paragraph 1 above, and the
22 officers, agents or employees of State Entities from asserting any claims, causes of action, or
23 applications for compensatory, nominal and/or punitive damages, administrative, civil, criminal, or
24 injunctive relief against Morgan Stanley in connection with certain auction rate securities practices
25 at Morgan Stanley.