

Morgan Stanley

Morgan Stanley “Green Bond” Issuance

**Report on the Use of Proceeds and Management’s
Assertion**

As of December 31, 2015

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Management's Assertion of the Use of Proceeds for Eligible Green Projects

Morgan Stanley is responsible for the completeness, accuracy and validity of the Morgan Stanley Summary Green Bond Schedule as of December 31, 2015. Management asserts that as of December 31, 2015, the net proceeds from the June 8, 2015 issuance of the 2.20% Notes Due December 7, 2018 (the "Green Bond") were either invested in qualifying eligible green projects or have been released for use by Morgan Stanley for general corporate purposes in reimbursement for expenditures previously incurred by Morgan Stanley consolidated subsidiaries for qualifying eligible green projects during the twelve-month period preceding the Green Bond issuance date in accordance with Morgan Stanley's green bond project investment criteria included in Note 2 ("Eligible Green Projects"), as reflected in the Morgan Stanley Summary Green Bond Schedule dated December 31, 2015.

**Morgan Stanley Summary Green Bond Schedule
As of December 31, 2015**

Bond Issued	Net Proceeds
Morgan Stanley 2.20% Notes Due December 7, 2018	\$498,365,000

Eligible Green Project Category	Use of Net Proceeds
Renewable Energy Investments - Wind	\$498,228,222
Energy Efficiency Investments - Exterior Lighting LED Upgrade	136,778
Total Use of Proceeds	<u>\$498,365,000</u>
Percentage of Net Proceeds Funding Eligible Green Projects	100%

Notes to Morgan Stanley Summary Green Bond Schedule

Note 1. Introduction

On June 8, 2015, Morgan Stanley (“Morgan Stanley” or the “Company”) issued 2.20% Notes Due December 7, 2018 (CUSIP Number 6174468B8) (the “Green Bond”) with total net proceeds of \$498,365,000, its inaugural green bond. The net proceeds of the Green Bond are to be used for Eligible Green Projects; the criteria for determination of an Eligible Green Project is included within Note 2.

The net proceeds from the Green Bond were deposited into a Morgan Stanley account for purposes of tracking the Eligible Green Project disbursements (the “Green Bond Account”). As funds were allocated to Eligible Green Projects, the same amount of money was released from the Morgan Stanley account to be used for general corporate purposes.

Investments in Eligible Green Projects have been made through 1) construction loans, 2) tax equity investments in a company, 3) term debt or 4) direct investment in a project.

The Green Bond is a general corporate bond issuance and the performance of the qualifying Eligible Green Projects do not impact the obligations of Morgan Stanley to the bondholders. The qualifying Renewable Energy Investments or Energy Efficiency Investments associated with the Green Bond listed in Notes 3 and 4 are not to be associated with any future Morgan Stanley corporate issuance for green projects.

Note 2. Morgan Stanley’s Green Bond Project Investment Criteria

The Company’s Green Bond project investment criteria, provided in Pricing Supplement No. 303 to Registration Statement No. 333-200365 dated June 3, 2015 (the “Pricing Supplement”), is set forth below.

Eligible Green Projects include existing projects with disbursements made by the Company’s consolidated subsidiaries during the twelve month period preceding the June 8, 2015 issue date of the Green Bond as further described in the Pricing Supplement.

Renewable Energy Investments

Wind Energy Generation – activities to generate energy from wind, including:

- The development, construction or operation of wind farms.
- Operational, production or manufacturing facilities related to wind energy development.
- Transmission infrastructure for use by wind farms.

Solar Energy Generation – activities to generate energy from solar resources, including:

- The development, construction or operation of solar electricity generation facilities.
- Operational, production or manufacturing facilities related to solar energy development.
- Transmission infrastructure for use by solar electricity generation facilities.

Energy Efficiency Investments

Investments in equipment, systems, products or services that help reduce energy consumption, including waste heat/energy recovery systems, systems to reduce transmission and distribution losses and energy efficient lighting and heating/cooling mechanisms. These investments exclude projects to retrofit or

otherwise upgrade power plants that primarily use fossil fuels in order to improve their efficiency or reduce their environmental emissions.

Note 3. Renewable Energy Investments

Route 66 Wind is a 150 MW wind power project located in Armstrong and Carson Counties, Texas. Morgan Stanley, through its affiliates, provided a financing solution that includes a tax equity partnership commitment to support the project. The initial funding date for using the Green Bond proceeds for this Eligible Green Project was September 25, 2015.

Stephens Ranch II is a 165 MW wind power project located in Lynn County, Texas. Morgan Stanley, through its affiliates, provided a financing solution that includes a tax equity partnership commitment to support the project. The initial funding date for using the Green Bond proceeds for this Eligible Green Project was May 22, 2015.

Rattlesnake Wind Energy Center is a 207 MW wind power project located in Glasscock County, Texas. Morgan Stanley, through its affiliates, provided a financing solution that includes non-recourse project construction financing and term debt to support the project. The initial funding date for using the Green Bond proceeds for this Eligible Green Project was November 21, 2014.

Briscoe Wind Farm is a 150 MW wind power project in Briscoe County, Texas. Morgan Stanley, through its affiliates, provided a financing solution that includes non-recourse project construction financing and a tax equity partnership commitment to support the project. The initial funding date for using the Green Bond proceeds for this Eligible Green Project was December 24, 2014.

Unnamed Wind Project #1 Morgan Stanley, through its affiliates, provided a financing solution that includes a tax equity partnership commitment to support the development of the project. The project is developed by an independent wind development company. The initial funding date for using the Green Bond proceeds for this Eligible Green Project was November 10, 2014.

Unnamed Wind Project #2 Morgan Stanley, through its affiliates, provided a financing solution that includes non-recourse project construction financing and a tax equity partnership commitment to support the development of the project. The project is being developed by an independent wind development company. The initial funding date for using the Green Bond proceeds for this Eligible Green Project was September 30, 2015.

Note 4. Energy Efficiency Investments

Exterior Lighting LED Upgrade – An energy reduction project entailed upgrading existing exterior lighting fixtures to LED technology at a Morgan Stanley office in the New York City metro area. The initial funding date for using the Green Bond proceeds for this Eligible Green Project was June 9, 2014.



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INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors of
Morgan Stanley
New York, New York

We have examined management's assertion, included in the accompanying Report on the Use of Proceeds and Management's Assertion, that the net proceeds from the June 8, 2015 issuance of the 2.20% Notes Due December 7, 2018 (the "Green Bond") included in the Morgan Stanley Summary Green Bond Schedule dated December 31, 2015 were either invested in qualifying eligible green projects or have been released for use by Morgan Stanley for general corporate purposes in reimbursement for expenditures previously incurred by Morgan Stanley consolidated subsidiaries for qualifying eligible green projects during the twelve-month period preceding the Green Bond issuance in accordance with Morgan Stanley's green bond project investment criteria included in Note 2 (the "Criteria"). Management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting management's assertion and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, management's assertion referred to above, is fairly stated, in all material respects, based on the Criteria.

July 18, 2016