

PUBLIC DISCLOSURE

January 30, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Morgan Stanley Bank
32992**

**2500 Lake Park Boulevard Suite 3C
West Valley, Utah 84120**

**Federal Deposit Insurance Corporation
20 Exchange Place, 4th Floor
New York, New York 10005**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community. This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Morgan Stanley Bank (MSB), West Valley, Utah**, prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **January 30, 2006**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.

INSTITUTION'S CRA RATING: This institution is rated **Outstanding**.

The findings of this evaluation demonstrate that the bank continues to be highly proactive with regard to assessing the needs of its community and providing extensive resources and time in addressing those needs. During this assessment period the bank extended, funded, and committed nearly \$59 million in qualified community development loans and investments. An important component of the banks performance is the investments from the previous period which increases the banks performance to over \$68 million. This monetary involvement represents 1.5 percent of total average assets of the bank as of December 31, 2005. When affiliate activities are included, the total exceeds \$78 million and represents about 1.75% of total average assets. Bank personnel and affiliates provided 5,052 qualified service hours to the respective communities.

Community Development Loans & Investments - Current Bank Activity

Investment / Entity	Investments/Loans Extended
2003 Investment Totals	5,410,604
2004 Investment Totals	17,854,943
2005-06 Investment Totals	13,848,945
2003 - 2006 Loan Totals	21,822,009
Total Current Period Loans & Investments for MSB	58,936,501

Outstanding Investments from Previous Period	9,146,223
Total Bank Activity	68,082,724
Affiliate Current Period Activity (not claimed by any other financial institution for CRA credit)	10,400,208
GRAND TOTALS	78,482,932

*2003 Reporting Period begins March 11, 2003
 Total Assets as of 12/31/2005 - \$8,677,843,000
 Average Assets over the Evaluation Period - \$4,667,114,000

Community Development Services

Service Hours Current Period	1,853
Affiliate Service Hours – Current Period (not claimed by any other financial institution for CRA credit)	3,199
GRAND TOTAL SERVICE HOURS	5,052

MSB CRA efforts are coordinated by a CRA officer. This officer is responsible for loan facilitation, investments, and grants origination and management; scheduling for CRA events; and coordination of bank CRA activities with its affiliates.

Service hours utilize the time and expertise of MSA and affiliate personnel and also include specialized projects such as the preparation of grants to nonprofit organizations, small businesses, and other low- and moderate-income individuals. Personnel also dedicated service hours on subjects ranging from financial literacy to essential services for low- and moderate-income students and adults; served on boards and committees working towards achievement of affordable/accessible housing, economic development, credit/legal education and numerous activities to enhance the development of the people and communities it serves.

There was no evidence of discriminatory practices or disparate treatment of borrowers identified at this evaluation.

DESCRIPTION OF INSTITUTION

Morgan Stanley Bank (MSB), formerly Morgan Stanley Dean Witter Bank, Inc., is a state-chartered industrial loan corporation (ILC), and operates out of a single office in West Valley City, a suburb of Salt Lake City, Utah, which is located in a moderate-income census tract. In November 2001, the ownership of MSB was transferred from NOVUS Credit Services, Inc. (NCSI) to Morgan Stanley Domestic Capital, Inc. (MSDCI). MSB is a wholly owned subsidiary of MSDCI. Both MSDCI and NCSI are wholly owned subsidiaries of Morgan Stanley Dean Witter, Inc. Affiliate entities also include Morgan Stanley Credit Servicing, Inc; Morgan Stanley International, Inc.; Discover Services Corporation; Bank of New Castle; Discover Bank; and Discover Financial Services, Inc.

Effective April 2001, the institution, formerly known as Morgan Stanley Dean Witter Bank (MSDWB), changed its name to Morgan Stanley Bank. MSDWB exited retail banking as of September 30, 2001. Its retail facility in Sandy, Utah was sold to a local commercial bank, and MSB relocated to West Valley City, Utah. MSB received its "Wholesale Institution" CRA designation from the FDIC on January 7, 2002. It had been designated a "Limited Purpose" institution since April 29, 1997.

The structure of the institution has changed significantly in the past few years because of its revised business plan. The institution does not extend home mortgage, small business, small farm, or consumer loans to retail customers. Beginning October 2001, the new business focus became "Senior Loans" (average size of \$30 million) to major corporations, short-term warehouse loans to borrowers secured by specific assets, and purchased portfolios of mortgages on commercial and residential real estate loans. MSB anticipates extending credit to a maximum of its legal lending limits. Additionally, MSB will have no retail deposit operations. Until recently, funding for its lending activities comes primarily from brokered certificates of deposit, money market savings accounts, and NOW accounts. These deposit accounts had been purchased primarily from affiliates. Operations have changed so that the bank has one large NOW and one large MMDA account. Customers of the affiliate bank sweep funds into one of these two funds. Recordkeeping and transactions re now entered/completed by a computerized program maintained by an affiliate.

For CRA evaluation purposes MSB is evaluated as a limited purpose bank engaged in commercial lending that does not make loans to consumers. Therefore, given this restriction and the nature of the bank's designation, CRA management has emphasized community development lending and investment activities. This classification permits an institution to be evaluated for CRA performance under any one of, or all of three community development tests: Services, Lending, and/or Investment.

All three areas were utilized in this evaluation. These tests evaluate the bank's record of helping to meet community credit needs through qualified community development activities. The evaluation covered the period beginning March 11, 2003, and ending January 30, 2006.

MSB is headquartered in West Valley City, Utah and is a state-chartered Industrial Loan Corporation (ILC). The bank is within the Salt Lake City MSA Utah Metropolitan Statistical Area (MSA) #41620.

DESCRIPTION OF ASSESSMENT AREA

Demographics

Morgan Stanley Bank has defined its assessment area as Salt Lake County (035) part of the Salt Lake City, Utah MSA #41620. This area is comprised of 193 contiguous census tracts including the cities of Salt Lake City, the largest city in the state. The Department of Housing and Urban Development (HUD) estimates the 2004 median family income (MFI) for the MSA at \$61,550. The bank's assessment area is home to most of the major insured financial institutions in the state, including several regional banks, several credit unions, and many other ILCs. The following tables reflect the census tract income, population, and families' breakdown of Salt Lake County as determined by the 2000 US Census:

Salt Lake County Census Tract Characteristics

Census Tract Income	Number	%	Population	%	Families	%
Low Income Tracts	5	3	7,627	1	1,486	1
Moderate Income Tracts	43	22	211,552	23	46,752	22
Middle Income Tracts	90	47	438,603	49	107,901	50
Upper Income Tracts	55	28	240,605	27	59,725	27
Totals	193	100.0	898,387	100.0	215,864	100.0

Salt Lake County Income Demographics

Income Classification	Families	%
Low-Income	36,682	17
Moderate-Income	43,009	20
Middle-Income	53,639	25
Upper-Income	82,534	38
Total	215,864	100.0

The preceding two tables show that 23 percent of all 2004 families in Salt Lake County resided in low- and moderate-income census tracts, and 37 percent of all families had low- and moderate-incomes. Forty-five percent (898,387 people) of the states 2.2 million population reside in Salt Lake County.

Salt Lake City is the largest city in the state and in Salt Lake City MSA. The area continues to grow and offer many new jobs. The transportation, warehouse, and utilities sector exhibited the strongest growth over the past year, expanding by 6%. Growth in this sector was boosted by staff additions at Delta although these jobs could quickly be eliminated given the carrier's financial woes. The professional and business services sector added the most new jobs through September totaling 5,804, and this sector will continue to provide the bulk of new jobs over the next five years. Total employment growth in Salt Lake City is expected to be above average over the forecast, growing at an annual average of nearly 2%, and all sectors are expected to outperform the U.S. Average.

The annual change in employment over the last 10 years is more volatile in Salt Lake City compared with the U.S. average and is expected to experience a stronger rebound going forward. Volatility has resulted from an influx of residents and high tech jobs from California during the early and mid-1990s while the state was in a more severe downturn, as well as from a large number of jobs in the high tech sector. The highest concentration of jobs is in the construction sector.

Population growth in Salt Lake City was above average at 1.4% compared to 0.9% nationwide over the last year. Over the forecast, population growth is expected to outpace the national average. Utah's population grew at a pace of 29.6 percent compared to an average U.S. Growth rate of 13.1 percent for the same period.

The bank operates in a highly competitive assessment area with numerous financial institutions that specialize in more traditional array of retail bank loans, deposits, and services than does MSB. These retail institutions and the many other industrial loan corporations located in Salt Lake County directly compete with MSB by also fulfilling their qualified CRA activities within the same assessment area. While local community organizations benefit from these funding sources, they are somewhat limited in the amount of funding they can receive as they have to in turn hold, manage, and invest the funds responsibly over time.

COMMUNITY CONTACTS

Six community contacts were made with a variety of organizations. The individuals contacted all indicated a strong ongoing need for affordable housing. This includes multi-family housing as well as single family residences. Many indicated that they could still use some grants and donations for various purposes, as well.

Other needs identified include credit, homebuyer, and other related financial literacy training (pre-purchase counseling for first-time homebuyers) targeting adults as well as student-age children; economic development in areas identified by various governments for rehabilitation, healthcare for low- and moderate-income families and individuals, and childcare for low- and moderate-income families during the workday, including after-school programs for "at-risk" youth.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The bank's CRA performance under the community development test for wholesale institutions is considered outstanding. Board members and senior management have demonstrated a leadership role in many of the community development activities the bank has participated in. The evaluation period is from March 11, 2003 to January 30, 2006. Relevant data and information regarding the bank's qualified community development activities are detailed on the following pages.

COMMUNITY DEVELOPMENT LENDING (CDL)

Morgan Stanley has originated a substantial level of community development loans and made additional commitments relative to the institution's business strategy, available opportunities, and the competition from other financial institutions. In addressing its community development lending goals, Morgan Stanley has extended credit through affiliations with local third party community development and services throughout the state of Utah, and eight American Indian tribal communities. Over this 3-year CRA evaluation period the bank originated and funded new loans totaling \$7,727,656 and has over \$14 million in unfunded loan commitments. The table on the following page summarizes Morgan Stanley's qualified loans, including outstanding commitments:

Community Development Loans			
Year	Recipient	New Extensions During Year	Remaining Unfunded Commitments
2003*	A Community Reinvestment Corporation	169,886	
	A Native American Initiative	76,800	
	A Community Development Corporation	673,855	445,452
	A community Legal Service Provider	353,600	116,800
		300,000	
	Community Services for Low- and Moderate-Income Disabled and Senior Citizens	164,375	
	2003 Totals	1,738,516	562,252
2004	A Community Development Corporation	964,833	474,380
	A Preservation Project for Elderly Low-Income individuals	151,000	
	A Multi-Ethnic Development Corporation	319,001	
	A Childhood Development Corporation for Low Incomes	316,000	1,000
	A Community Reinvestment Corporation	948,632	
	2004 Totals	2,699,466	475,380
2005-06	A Community Reinvestment Corporation	622,449	1,659,115
	A Multi-Ethnic Development Corporation	819,716	5,045,115
	Neighborhood Redevelopment Phase II	691,143	8,857
	A Community Development Corporation	612,167	4,387,833
	Neighborhood Housing Revitalization Services	544,199	1,955,801
	2005-06 Totals	3,289,674	13,056,721
Combined	Assessment Period Totals	7,727,656	14,094,353
	Total Current Period Funded & Unfunded	21,822,009	
	Previous Period Unfunded Loan Commitments	N/A	N/A
	Lending Totals	7,727,656	14,094,353
	Grand Total	21,822,009	

*Reporting period for 2003 began March 11

The following is a breakdown of activities by aforementioned recipients and beneficiaries:

A Native American Walk-in Center – Morgan Stanley in 2003 granted a \$76,800 loan to pay-off a remaining mortgage on existing building, and in 2004, the loan was renewed for an additional two year term. The purpose of this Walk-In-Center is to deliver social economic services, health care, family financial planning, small business entrepreneurship, and SCORE mentoring. They also provide economic development via technical assistance such as, job placements, affordable rental housing, home buying education, tribal leadership training and, lending programs for American Indians residing along the Wasatch Front, as well as, individuals and/or families residing on tribal trust lands.

Citifront-II Apartments (Bridge Partners) – Is a second phase of a project to provide affordable condos for ownership. Morgan Stanley participated as lender during the first phase of this project, which provided 181 units of affordable housing and retail commercial space, in the heart of Salt Lake City's Gateway District. Presently Morgan Stanley has total commitments of \$700,000 to Citifront II LLC, via participation loan with Zion's Bank, as per credit agreement dated April 19, 2004.

A Community Development Corporation – Morgan Stanley Bank has given this non-profit organization an aggregate of \$6.1 million dollars in loan financing (during this reporting period), for the construction and rehabilitation of homes. To date MSB, has contributed towards the development of Library Square condominium, and building of 12 homes under the HUD ACA Program; 9 homes at Fenton Cove; 2 homes at Canyon Oaks, and 6 other homes at the Lincoln Street Town homes, in down town Salt Lake City. In addition MSB granted loans for the successful construction of 2 single family homes, part of the County Youth Build project; and various single family homes per city/district area in Kearns, Taylorsville, Salt Lake, South Salt Lake and Magna. CDC's overall mission is to help low income families achieve homeownership, so that residents may become stable partners in their community, including but not limited to, people living in substandard housing or public assistance, that are re-seeking self sufficiency.

A Community Housing Service – Morgan Stanley bank helped finance two HUD preservation projects in 2004, called the Glenbrook and Suncrest Apartments, which are comprised of 24 units that provided affordable multi family rental housing for the elderly, disabled and low income Section 8 families in West Valley City.

A Community Legal Center – During later part of 2003, Morgan Staley authorized a revolving line of credit in the amount of \$470,000, to help establish this Legal Center which provides free legal services to minorities, disabled, homeless, elderly, and single/separated mothers' that are victims of domestic violence.

A Multi Ethnic Development Corporation (MEDC) - Morgan Stanley has provided and/or committed financial assistance to MEDC of \$6,169,800, towards the creation of affordable housing opportunities for low, moderate income families in UTAH, and conditioned properties, to safe, clean, affordable living spaces.

The following are projects that Morgan Stanley Bank (MSB) has committed financial assistance through their lending power: A \$25M pre development unsecured line of credit, for the pre-development costs towards the purchase, and renovation of dilapidated properties, including land and other essential items necessary for project development; A \$280,000 land acquisition loan for Phase I property purchase; and an \$864,800 loan for land banking the adjacent lot phase II development. MSB has also provided over 150 hours of financial advice counseling and worked in conjunction with the developers, city officials, RDA board of directors, to insure the success of this project, which will also provide potential for new businesses in the area. Most recently MSB approved a \$5,000,000 construction loan for this redevelopment project to begin early 2006. The project will include 5 live/work spaces, and 31 two and three bedroom condos, all for sale to qualified homebuyers, out of which with 7 condos are reserved for low to moderate income families or individuals below 80% of area median income.

A Local CAP Head Start – Morgan Stanley Bank (MSB) has provided and committed financial assistance in the amount of \$317,000, participation loan with Zion’s First National Bank, for the construction of a West Valley City School that currently provides a pre-school program for low – income children, and offer other nutritional, medical, dental, disability, and social services to children and families living in poverty.

A Neighborhood Housing Services - Morgan Stanley Bank (MSB) has provided and/or committed financial assistance in the aggregate amount of \$2.8 million dollars, towards creating affordable housing and revitalizing and preserving a positive image of neighborhoods. The following are projects that Morgan Stanley Bank (MSB) has provided financial assistance through loans.

- a) The Hodges Lane Project, a mixed income subdivision with 9 single family homes (5 reserved for low income families) and 11 town homes (5 for low income families)
- b) The Citifront I Apartments & Citifront II Land Acquisition: for which MSB provided a \$200,000 loan, to support the construction of (Citifront I) a 155 unit multi family facility that furthermore produced 27 new jobs for retail occupants. Citifront II – Is participation with Zion’s Bank, which will eventually allow for the purchase of an adjacent property for the future construction of single family condos, to be sold to low-moderate income families.

Turn Community Services – provides employment skills, financial services and creative housing alternatives for the mentally challenged or disabled. The \$164,375 loan granted by MSB was used to purchase an existing property for conversion into a special needs housing facility for the low income individuals with mental disabilities.

A State Community Reinvestment Corporation (UCRC) – Is a state wide nonprofit organization that continues to provide flexible financing for multi-family rental projects serving lower income Utah residents. Morgan Stanley Bank hosted the initial meeting with this organization, in response to the critical need for low/moderate income housing throughout the state. MSB has increased its funding commitment to UCRC in the amount of \$3,885, 751, as their pool of loans continues to experience considerable growth. To date, 46 loans have been funded to subject organization, which in turn has provided 2,402 of affordable multi-family and senior housing units throughout the state of Utah.

COMMUNITY DEVELOPMENT INVESTMENTS

Morgan Stanley Bank (MSB) has provided an outstanding level of qualified community development investments and made numerous grants and donations relative to the institution's business strategy, available opportunities, and competition within the assessment area.

MSB has addressed its qualified investment goals through a wide range of conduits including, housing related securities, investment tax credits, and donations to a host of entities within the area. Over this three-year CRA evaluation period the bank acquired qualified, held-to-maturity investments of \$36,597,148 including various grants and donations. In addition the bank holds \$525,000 in unfunded commitments. There are also over \$9 million in previous qualified investments within the portfolio. The following table summarizes the bank's outstanding qualified investments, commitments, and donation/grants used in evaluating the bank's CRA performance during the reporting period:

Community Development Investments				
Year	Investment or Entity	##	Amount Extended	Unfunded Commitment
2003*	A CRA Fund	1	150,000	
	Mortgage-Backed Securities	4	1,371,782	
	A Capital Fund (Mutual Fund)	1	500,000	
	Housing Finance Agency Bonds	10	2,900,000	
	Financing Solutions	2	130,250	
	Grants & Donations	134	363,478	
	2003 Totals	152	5,415,510	
2004	An Opportunity Fund	1	225,000	525,000
	Mortgage-Backed Securities	10	8,643,063	
	A CRA Fund (Mutual Fund)	7	5,265,114	
	Housing Finance Agency Bonds	11	2,395,000	
	A Microenterprise Loan Fund	2	100,000	
	Grants & Donations	245	703,116	
	2004 Totals	276	17,331,293	525,000
2005-06	A CRA Fund (Mutual Fund)	8	6,584,886	
	Mortgage-Backed Securities	4	5,245,909	
	Housing Finance Agency Bonds	8	1,095,000	
	Financing Solutions	1	58,000	
	Grants & Donations	293	866,549	
	2005-06 Totals	314	13,850,345	
Assessment Period Totals		742**	36,597,148	525,000
Total Current Period Funded & Unfunded			37,122,148	
Prior Period Outstanding			9,146,223	
Investment Totals			46,268,371	
Grand Total			46,268,371	

*2003 Reporting Period began March 11th; **Funded Investments Only

The following are some of the notable investments made by MSB during the assessment period:

- **A Capital Community Investment Fund** - The overall objective of this fund is to earn an appropriate risk-weighted return in investment while providing a secondary market finance vehicle for community development. The fund purchases CRA securities, backed by various community development loans (i.e. home mortgages, affordable rental housing, commercial real estate and small business loans), and use various U.S. Government Agency guarantees or AAA-rated credit enhancements, to generate a rate of return equivalent to or better than the yield on comparable U.S. Treasury notes and bonds. Morgan Stanley during this reporting period has invested a total of \$500,000 to date.

- **A CRA Investment Fund – (Mutual Fund)** – The Fund seeks investments in specific geographical areas based on shareholders request. The Fund designates each security to a particular investing institution for CRA-qualifying purposes, and no institution is allocated the same portion of the same security. The aggregate investment of \$12,000,000 by Morgan Stanley’ during this reporting period, was used to help purchase Utah Housing Corporation Single Family Mortgage Bonds (2005 series F-2) in furtherance of its Single Family Mortgage Program to provide financing for the purchase of housing by low and moderate income individuals within the state of UTAH.

- **Mortgage Backed Securities (MBS)** – During the assessment period Morgan Stanley acquired 18 MBS pools through FHLMC (Federal Home Loan Mortgage Corporation- “Freddie Mac”), and the National City Corporation, totaling \$15,260,754. Freddie Mac generally buys the single-family and multifamily residential mortgages and mortgage related securities, for financing by issuing mortgage pass through securities and debt instruments in the capital markets. These securities are then used to fund affordable housing, and underlying mortgages extended to low- or moderate-income borrowers. The servicer in this case is the National City Corporation, one of the nation’s largest financial holding companies, which core businesses include commercial and retail banking, consumer finance, asset management mortgage financing and servicing, and payment processing. All of the underlying mortgages making up these bonds were in fact extended to low- or moderate-income borrowers. Previous period pools exceeded \$43 million at purchase.

- **Housing Finance Agency Bonds (UHFA)** – This agency is a self-supporting public agency created by the Utah Legislature to finance, develop, and preserve affordable housing for lower income individuals and families throughout Utah. During the assessment period the bank purchased 29 bonds totaling \$6,390,000.

- **A Micro-enterprise Loan Fund** – During the reporting period Morgan Stanley has invested an aggregate of \$100,000 in small business loan pools to empower people to move from dependency to self sufficiency through small business ownership. Micro enterprise programs benefit all individuals who would otherwise be ineligible to receive traditional financing and have no other resource to start or expand a small business. Microenterprise programs not

only provide access to credit, but also offer technical assistance in supportive environments that reinforce the belief that people can improve their lives through initiative and hard work.

- **A University Venture Fund (an opportunity fund)** - Is a collaborative effort between students, alumni, the David Eccles School of Business, and the local professional community to promote community development. The program is self sustaining with the newly raised fund to invest in top tier young companies creating economic stimulus for scholarships and charities of the investors' choice. The Fund is actively managed and directed by the University of Utah students along with successful entrepreneurs and venture capital professionals. The capital contribution for Morgan Stanley during this reporting period is \$225,000 with \$525,000 in unfunded commitments.

- **A Technology Finance Corporation (Financing Solutions)** – Provides financing for non-profit corporations whose mission is community development. During the reporting period Morgan Stanley invested a total of \$188,250.

Qualified Grants & Donations

MSB and its affiliates are focused on providing essential services to educate and assist low-moderate-income individuals become self sufficient. During the exam period MSB (bank only) donated \$742,423 in qualified grants and donations to over 100 non-profit organizations inside the banks assessment area. The following table illustrates the wide range of community needs served by MSB:

Grants & Donations

Type of Organization	2003*	2004	2005-06
Self Sufficiency and Education	39,762	62,950	50,200
Job Training and Employment	8,500	20,895	9550
Homeless/Transitional Housing	55,000	61,250	122,925
Elderly/Child Day Care	6,000	37,500	10,000
Operating Expenses	37,500	66,885	38,214
Legal Assistance / Healthcare	12,500	22,500	18,200
Sponsorships/Scholarships/Memberships	14,860	16,836	22,740
In-Kind Donations	4,906	1,350	1,400
Total by Year – Bank Only	179,028	290,166	273,229
Utah Contribution Committee (Affiliate) Donations	34,750	37,750	45,790
Morgan Stanley Foundation - VIP Program Donations	149,700	375,200	547,530
All Bank and Utah Affiliate Totals	363,478	703,116	866,549
Morgan Stanley Corporation Nationwide Grants/Donations	10,400,208		
GRAND TOTALS	12,333,351		

*Reporting Period for 2003 began March 11th

Additional contributions include \$118,290 from the Utah Contribution Committee and \$1,072,430 from Morgan Stanley Foundation (VIP Grants). Additionally, \$10,400,208 was donated to similar organizations nationwide by the Morgan Stanley Corporation.

The following is a brief description of the services provided by these organizations.

- **Self-Sufficiency Education** – MBA’s goal is to facilitate the means for non-profit organizations to provide education to children and adults so that they may be able to achieve self sufficiency. Households participate in homebuyer education workshops and counseling, children participate in financial literacy classes, and teachers are provided train the trainer credit training in Spanish and English
- **Job Training & Employment** – Attention is given to providing skill training to low-income individuals with physical, emotional, financial, and domestic challenges. People with disabilities are given the opportunity to obtain “real jobs with competitive pay and the opportunity for advancement.”

- **Homeless/Transitional Housing** – The main focus of the state and the nation is empowering homeless individuals with basic needs and skills to aid them in mainstreaming into society. MBA recognizes the need and funds programs that aid individuals in obtaining housing assistance.
- **Elderly/Child Day Care** – The baby-boomers are retiring and many times without sufficient income or physical capacity to take care of their essential needs. Younger couples with children are not making the anticipated income needed to care for their growing families. MSB works to lessen stress and financial burden placed on the low- and moderate-income families by funding non-profit organizations that are set up to be caregivers and educators for this segment of society.
- **Operating Expenses** – Non-profit organizations many times fall short of funds to stay in operation. Thereby, MSB fulfills an essential role in assisting them financially with day to day financial commitments, supplies and equipment needed so that these organizations can focus on what they do best; providing food, shelter, clothing, education, social-emotional assistance, health services and much more.
- **Legal Assistance – Healthcare** – Individuals such as single and separated mothers, homeless families, disabled individuals, minorities and the elderly are often times without needed funds to provide them with legal representation. MSB fills this gap by assisting non-profit agencies with operating funds.

COMMUNITY DEVELOPMENT SERVICES

Company wide employees are encouraged to become engaged in services needed in the communities in which they live and work. MSB and its affiliates (Utah Contribution Committee, Morgan Stanley Foundation Volunteer Incentive Program [VIP] and its parent Morgan Stanley) provide critically needed assistance to aid the communities served. Together they contributed 5,052 accredited hours of service to their respective communities. Included in these hours were 2,426 accredited hours dedicated to Salt Lake County.

Service hours provide for a wide range of human needs ranging from providing essential services to achieving self sufficiency to low- and moderate-income and handicapped individuals. Many of these services are not offered by federal/state funding or non-profit organizations and community special interest groups are in need of additional assistance to achieve their goals. Specific community needs are addressed in the areas of credit education and essential services. All of the services meet the definition of “community development” and relate to the provision of financial services as required by the regulation for consideration under CRA. Constant review and alignment of services are undertaken by MSB to meet the ever changing community needs and to comply with the Community Reinvestment ACT (CRA).

Through CRA qualified board and committee service, as well as through other volunteer opportunities employees have volunteered their time to CRA qualified activities. Their involvement on Boards of Directors of non-profit organizations contributes staff expertise, fund raising efforts, and technical assistance and education.

The following pages describe the service activities in greater detail:

MSB identified the need for credit education and essential services development as a primary assessment area needs. Additional information is shown below:

COMMUNITY DEVELOPMENT SERVICES (Credit Education & Essential Services)							
Qualifying Services	Brief Description	2003		2004		2005-06	
		MSB	Other	MSB	Other	MSB	Other
Financial Educational Literacy	Provide financial literacy training to low-and moderate-income individuals at schools/facilities. This included coverage of the following topics: making wise financial decisions, understanding various bank account types, importance of a good credit history, managing credit wisely, reality of interest, and exploring career choices and education.	10	54	44	186	163	890
Essential Services and Community Development	A wide variety of services were provided to all conceivable targeted areas in need through a well-planned and investigated need assessment of the community that the bank serves .	41	54	62	770	164	522
TOTAL HOURS	2,960	51	108	106	956	327	1,412

The following is a small sample of the many services provided by MSB as a result of their Credit Education and Essential Services development provided to the communities that it serves:

- *State Individual Development Accounts Network (UIDAN). IDA's are matched savings accounts designed to help low-income families accumulate a few thousand dollars towards an asset such as education or job training or home ownership. Or self-employment. IDA savers learn how to improve their credit and use credit and banking accounts effectively to increase wealth and acquire an asset.*
- *A foundation board which provides credit information using a training program containing training materials that provides basics of checking, savings and banking and moves into credit, investing and ultimately homeownership. The classes are provided at local Title 1 junior high schools as well as several special needs charter schools.*
- *A club with activities for the entire family such as adult education, employment, mental health, parenting, advocacy, assistance and social interaction. It is designed to educate low- and moderate-income families.*
- *A mentoring program helping no income or low income single mothers develop the self-confidence, the skills, the networks and the resources, to build a better future for themselves and their children through long-term successful employment.*

MSB employees and members of management, based on skilled and qualifications, have filled numerous committee and board of director positions with local non-profit organizations. Some activities included are:

COMMUNITY DEVELOPMENT SERVICES MSB and the Utah Contribution Committee (Board of Directors Commitments)				
Qualifying Services	Activity	2003	2004	2005-06
Affordable/Accessible Housing	Members of management provided numerous hours of service on Boards and Committees of qualifying non-profit entities.	97	159	95
Credit/Legal Education	Provide consumer education programs in Title I schools and other organizations.	35	48	22
Essential Services	Provide assistance to low income individuals through nonprofit organizations in various areas such as legal services, after school programs, shelter, language training etc.	42	40	26
Other	Work with numerous committees and special interest to implement new programs addressing emerging needs of the community	531	506	491
TOTAL OVERALL HOURS	2,092 HOURS	705	753	634

The following is a small sample of services provided by MSB and the Utah Contribution Committee as a result of their Board participation:

- *Service on a county housing authority Board (aids in providing housing while promoting individual self-sufficiency and revitalization of neighborhoods).*
- *Service on a non-profit mentoring Board that offers after-school organization for children (a non-profit art and mentoring program for underserved youth aged 5-18, designed to break the cycle of poverty and prepare young people for professional careers of the future).*
- *Service on a foundation Board that provides services and materials items to individuals with challenges while they are actively seeking employment or striving to retain employment.*
- *Service on a State Board working with other ILC's in a statewide network for Individual Development Accounts (IDA). The IDA program offers financial management counseling and matching savings for low-income families to be used for homeownership, education or entrepreneurial pursuits.*
- *Service on a state-wide nonprofit affordable housing organization that provides affordable housing for low-and moderate-income families, seniors, formerly homeless populations, and individuals with chronic mental and physical impairments.*
- *Assistance to 85+ non-profit organizations, community development groups and state initiative programs by consistently providing guidance on credit programs, input in the preparation of new programs, and know-how for housing and economic development initiatives.*

Other Affiliate Activity

The parent, Morgan Stanley (MS) and its affiliates, are extensively involved in *qualified* community development activities across the nation. In addition to the certified hours contributed with this examination they have provided countless additional services to the communities they serve. Also, affiliates have contributed over \$10 million in qualified grants and donations.

Fair Lending Review

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified. The bank has policies, procedures, and training programs in place to prevent discriminatory or other illegal credit practices. Current automated underwriting scoring models do not collect, consider, or score any information concerning the eleven protected factors as listed under the Equal Credit Opportunity or Fair Housing regulations.

APPENDIX A

SCOPE OF EXAMINATION		
TIME PERIOD REVIEWED	March 11, 2003 to January 27, 2006	
FINANCIAL INSTITUTION		PRODUCTS REVIEWED
Morgan Stanley Bank, West Valley City, Utah		Community Development Loans Community Development Investments Community Development Services
AFFILIATE	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED
Discover Card Services, Salt Lake City, Utah	Affiliate Company	Qualified Investments Qualified Services
Morgan Stanley, New York, NY	Parent Company (Corporation)	Qualified Investments Qualified Services

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
UTAH Salt Lake County (035)	Full-Scope – On Site	N/A	None