MORGAN STANLEY FINANCE LLC
(formerly known as Morgan Stanley Tower, LLC)

FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015
AND
INDEPENDENT AUDITORS' REPORT

Deloitte & Touche LLP
30 Rockefeller Plaza
New York, NY 10112-0015 USA

Tel: +1 212 492 4000
Fax: +1 212 489 1687
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Morgan Stanley Finance LLC (formerly known as Morgan Stanley Tower, LLC)

We have audited the accompanying financial statements of Morgan Stanley Finance LLC (formerly known as Morgan Stanley Tower, LLC) (the "Company"), which comprise the statement of financial condition as of December 31, 2015, and the related statements of income, cash flows, and changes in member's equity for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Morgan Stanley Finance LLC (formerly known as Morgan Stanley Tower, LLC) as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to Note 3 of the footnotes to the financial statements, which describes the fact that the activities of the Company include significant transactions with affiliates and may not necessarily be indicative of the conditions that would have existed or the results of operations if the Company had operated as an unaffiliated business. We have not modified our opinion in respect of this matter.

Deloitte & Touche LLP

April 8, 2016

MORGAN STANLEY FINANCE LLC
STATEMENT OF FINANCIAL CONDITION
December 31, 2015
(In thousands of dollars)

Assets		
Receivables:		
Affiliates	$	6,942,319
Total assets	$	6,942,319
Liabilities and Member's Equity		
Payables:		
Affiliates	$	760,414
Parent		952,686
Total liabilities		1,713,100
Total member's equity		5,229,219
Total liabilities and member's equity	$	6,942,319

See Notes to the Financial Statements.

MORGAN STANLEY FINANCE LLC
STATEMENT OF INCOME
For the year ended December 31, 2015
(In thousands of dollars)

Revenues:		
Interest income	$	146,157
Expenses:		
Interest expense		36,085
Net Income	$	110,072

See Notes to the Financial Statements.

MORGAN STANLEY FINANCE LLC
STATEMENT OF CASH FLOWS
For the year ended December 31, 2015
(In thousands of dollars)

Cash flows from operating activities:		
Net income	$	110,072
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Non-cash financing interest income		(146,157)
Non-cash financing interest expense		36,085
Net cash provided by operating activities	$	-
Cash, at beginning of period	$	-
Cash, at end of period	$	-

See Notes to the Financial Statements.

MORGAN STANLEY FINANCE LLC
STATEMENT OF CHANGES IN MEMBER'S EQUITY
For the year ended December 31, 2015
(In thousands of dollars)

	Total Member's Equity
Balance, December 31, 2014	$ 5,119,147
Net income	110,072
Balance, December 31, 2015	$ 5,229,219

See Notes to the Financial Statements.

Note 1 - Introduction and Basis of Presentation

The Company

Morgan Stanley Finance LLC (the "Company"), a single member LLC, is a wholly owned subsidiary of Morgan Stanley (the "Parent"). The Company engages in intercompany funding activities with affiliates.

Basis of Financial Statements

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which may require the Company to make certain estimates and assumptions regarding matters that affect the financial statements and related disclosures. The Company believes that the estimates utilized in the preparation of the financial statements are prudent and reasonable. Actual results could differ materially from these estimates.

Note 2 – Summary of Significant Accounting Policies

Interest Income and Expense

Interest income and Interest expense are a function of the level and mix of total assets and liabilities, which is comprised of intercompany funding with affiliates and Parent and the internally-set interest rates.

Income Taxes

The Company is disregarded as an entity separate from its Parent for U.S. federal income tax returns pursuant to the Check-the-Box Regulations of the Internal Revenue Code, Regulation 301-7701-3(a). All current and deferred taxes have been accrued by the Parent.

Financial Instruments and Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches and establishes a hierarchy for inputs used in measuring fair value that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions other market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

- Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3 of the fair value hierarchy.

The Company considers prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from Level 1 to Level 2 or Level 2 to Level 3. In addition, a downturn in market conditions could lead to declines in the valuation of many instruments.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

All of the Company's financial assets and liabilities are not measured at fair value in the statement of financial condition.

Note 3 - Related Party Transactions

Receivables from and payables to affiliates represent intercompany activities that occur in the normal course of business. Receivables from and payables to affiliates are unsecured, bear interest at internally-set interest rates and are payable on demand. The Company is funded by its Parent.

Interest income and expense are calculated daily based on the outstanding receivable and payable balances. For the year ended December 31, 2015, interest income from receivables with affiliates was $146,157. Interest expense on payables with affiliates and to Parent was $16,006 and $20,079, respectively.

The activities of the Company include significant transactions with affiliates and may not necessarily be indicative of the conditions that would have existed or the results of operations if the Company had operated as an unaffiliated business.

Note 4 – Financial Assets and Liabilities Not Measured at Fair Value

The table below presents the carrying value, fair value and fair value hierarchy category of certain financial instruments that are not measured at fair value in the statement of financial condition.

The carrying value of Receivables from Affiliates, and Payables to Affiliates and Parent arising in the ordinary course of business approximate fair value due to their short-term nature.

Financial Instruments Not Measured At Fair Value at December 31, 2015

			Fair Value Measurements Using:		
	Carrying Value	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:					
Receivables:					
Affiliates	$ 6,942,319	$ 6,942,319	$ -	$ 6,942,319	$ -
Financial Liabilities:					
Payables to:					
Affiliates	$ 760,414	$ 760,414	$ -	$ 760,414	$ -
Parent	$ 952,686	$ 952,686	$ -	$ 952,686	$ -

Note 5 – Subsequent Events

On January 12, 2016, the Company was renamed from Morgan Stanley Tower, LLC to Morgan Stanley Finance LLC ("MSF") and was repurposed as a "finance subsidiary", as defined in Securities and Exchange Commission ("SEC") Regulation S-X. On February 16, 2016, Morgan Stanley filed a post-effective amendment to its Form S-3 registration statement in order to allow MSF to issue SEC-registered debt securities that are fully and unconditionally guaranteed by Morgan Stanley. All of the Company's receivable and payable balances were settled and all capital, except for $1, was returned in February 2016.

On February 17, 2016, the Company issued a $5,000 vanilla note, which was settled on February 22, 2016 and received an exchange rating of BBB+ from Standard & Poor's. Starting on March 2, 2016, the Company began issuing structured notes to the marketplace.

* * * * * *