

KLEIN BRIAN KATZ  
Form SC 13G/A  
February 02, 2009

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 13G**

**Under the Securities Exchange Act of 1934  
(Amendment No. 5)\***

Charter Communications, Inc.

(Name of Issuer)

Class A Common Stock, par value \$.001 per share

(Title of Class of Securities)

16117M107

(CUSIP Number)

July 1, 2008

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)

Rule 13d-1(c)

Rule 13d-1(d)

\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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(1) Names of Reporting Persons.		STEELHEAD NAVIGATOR MASTER, L.P.
(2) Check the Appropriate Box if a Member of a Group (See Instructions)		(a) £ (b) £
(3) SEC Use Only		
(4) Citizenship or Place of Organization		Bermuda
NUMBER OF	(5) Sole Voting Power	37,409,126
SHARES		
BENEFICIALLY	(6) Shared Voting Power	0
OWNED BY EACH		
REPORTING	(7) Sole Dispositive Power	37,409,126
PERSON WITH		
	(8) Shared Dispositive Power	0
(9) Aggregate Amount Beneficially Owned by Each Reporting Person		37,409,126
(10) Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)		..
(11) Percent of Class Represented by Amount in Row (9)		9.2%
(12) Type of Reporting Person (See Instructions)		PN

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(1) Names of Reporting Persons.		STEELHEAD PARTNERS, LLC
(2) Check the Appropriate Box if a Member of a Group (See Instructions)		(a) £ (b) £
(3) SEC Use Only		
(4) Citizenship or Place of Organization		Delaware
NUMBER OF	(5) Sole Voting Power	38,876,277
SHARES		
BENEFICIALLY	(6) Shared Voting Power	0
OWNED BY EACH		
REPORTING	(7) Sole Dispositive Power	38,876,277
PERSON WITH		
	(8) Shared Dispositive Power	0
(9) Aggregate Amount Beneficially Owned by Each Reporting Person		38,876,277
(10) Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)		..
(11) Percent of Class Represented by Amount in Row (9)		9.6%
(12) Type of Reporting Person (See Instructions)		IA

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(1) Names of Reporting Persons.		JAMES MICHAEL JOHNSTON
(2) Check the Appropriate Box if a Member of a Group (See Instructions)		(a) £ (b) £
(3) SEC Use Only		
(4) Citizenship or Place of Organization		United States
NUMBER OF	(5) Sole Voting Power	0
SHARES		
BENEFICIALLY	(6) Shared Voting Power	38,876,277
OWNED BY EACH		
REPORTING	(7) Sole Dispositive Power	0
PERSON WITH		
	(8) Shared Dispositive Power	38,876,277
(9) Aggregate Amount Beneficially Owned by Each Reporting Person		38,876,277
(10) Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)		..
(11) Percent of Class Represented by Amount in Row (9)		9.6%
(12) Type of Reporting Person (See Instructions)		IN/HC

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(1) Names of Reporting Persons.		BRIAN KATZ KLEIN
(2) Check the Appropriate Box if a Member of a Group (See Instructions)		(a) £ (b) £
(3) SEC Use Only		
(4) Citizenship or Place of Organization		United States
NUMBER OF	(5) Sole Voting Power	0
SHARES		
BENEFICIALLY	(6) Shared Voting Power	38,876,277
OWNED BY EACH		
REPORTING	(7) Sole Dispositive Power	0
PERSON WITH		
	(8) Shared Dispositive Power	38,876,277
(9) Aggregate Amount Beneficially Owned by Each Reporting Person		38,876,277
(10) Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)		..
(11) Percent of Class Represented by Amount in Row (9)		9.6%
(12) Type of Reporting Person (See Instructions)		IN/HC

**Item 1(a). Name of Issuer:**

Charter Communications, Inc.

**Item 1(b). Address of Issuer's Principal Executive Offices:**

12405 Powerscourt Drive  
St. Louis, MO 63131

**Item 2(a). Names of Persons Filing:**

Steelhead Navigator Master, L.P. ( Navigator )  
Steelhead Partners, LLC ( Steelhead )  
James Michael Johnston  
Brian Katz Klein

**Item 2(b). Address of Principal Business Office or, if none, Residence:**

The business address of each of Navigator, Steelhead, James Michael Johnston and Brian Katz Klein is 1301 First Avenue, Suite 201, Seattle, WA 98101.

**Item 2(c). Citizenship:**

Reference is made to Item 4 of pages 2-5 of this Schedule 13G (this Schedule ), which Items are incorporated by reference herein.

**Item 2(d). Title of Class of Securities:**

Class A Common Stock, par value \$0.001 per share

**Item 2(e). CUSIP Number:**

16117M107

**Item 3. If this statement is filed pursuant to §§240.13d-1(b) or 240.13d-2(b) or (c), check whether the person filing is a:**

- .. (a) Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o).
- .. (b) Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c).
- .. (c) Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c).
- .. (d) Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).
- ý (e) An investment adviser in accordance with §240.13d-1(b)(1)(ii)(E);
- .. (f) An employee benefit plan or endowment fund in accordance with §240.13d-1(b)(1)(ii)(F);
- ý (g) A parent holding company or control person in accordance with § 240.13d-1(b)(1)(ii)(G);
- .. (h) A savings associations as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);
- .. (i) A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);
- .. (j) Group, in accordance with §240.13d-1(b)(1)(ii)(J).

**Item 4. Ownership.**

Reference is hereby made to Items 5-9 and 11 of pages 2 - 5 of this Schedule, which Items are incorporated by reference herein.

The securities reported on this Schedule as beneficially owned by Steelhead (the Securities ) are held by or for the benefit of Navigator and certain other client accounts. Steelhead, as the investment manager of Navigator and general partner and/or investment manager of those other client accounts, and as the sole member of Navigator's general partner, and each of J. Michael Johnson and Brian K. Klein, as the member-managers of Steelhead, may be deemed to beneficially own the Securities held by Navigator and such other client accounts for the purposes of Rule 13d-3 of the Act, insofar as they may be deemed to have the power to direct the voting or disposition of those Securities.

Neither the filing of this Schedule nor any of its contents shall be deemed to constitute an admission that Steelhead, Mr. Johnston or Mr. Klein is, for any other purpose, the beneficial owner of any of the Securities, and each of Steelhead, Mr. Johnston and Mr. Klein disclaims beneficial ownership as to the Securities, except to the extent of his or its pecuniary interests therein.

Under the definition of beneficial ownership in Rule 13d-3 under the Act, it is also possible that the individual general partners, executive officers, and members of the foregoing entities might be deemed the beneficial owners of some or all of the Securities insofar as they may be deemed to share the power to direct the voting or disposition of the Securities. Neither the filing of this Schedule nor any of its contents shall be deemed to constitute an admission that any of such individuals is, for any purpose, the beneficial owner of any of the Securities, and such beneficial ownership is expressly disclaimed.

The calculation of percentage of beneficial ownership in item 11 of pages 2 - 5 was derived from the Issuer's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 5, 2008, in which the Issuer stated that the number of shares of its Class A common stock, \$0.001 par value per share, outstanding as of June 30, 2008 was 407,201,927 shares.

**Item 5. Ownership of Five Percent or Less of a Class**

Not Applicable.

**Item 6. Ownership of More than Five Percent on Behalf of Another Person.**

Not Applicable.

**Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company**

Not Applicable.

**Item 8. Identification and Classification of Members of the Group**

Not Applicable.

**Item 9. Notice of Dissolution of Group**

Not Applicable.

**Item 10. Certification**

By signing below the undersigned certify that, to the best of their knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

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**Signature**

After reasonable inquiry and to the best of my knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: February 2, 2009

STEELHEAD PARTNERS, LLC

By: /s/ James Michael Johnston  
James Michael Johnston  
Its Member-Manager

JAMES MICHAEL JOHNSTON

/s/ James Michael Johnston  
James Michael Johnston  
BRIAN KATZ KLEIN

/s/ Brian Katz Klein  
Brian Katz Klein

By signing below the undersigned certifies that, to the best of its knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

**Signature**

After reasonable inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: February 2, 2009

STEELHEAD NAVIGATOR MASTER, L.P.

By: Steelhead Partners, LLC, its Investment Manager

By: /s/ James Michael Johnston  
James Michael Johnston  
Its Member Manager

**EXHIBIT INDEX**

Exhibit A

Joint Filing Undertaking

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**EXHIBIT A**

**JOINT FILING UNDERTAKING**

The undersigned, being authorized thereunto, hereby execute this agreement as an exhibit to this Schedule 13G to evidence the agreement of the below-named parties, in accordance with rules promulgated pursuant to the Securities Exchange Act of 1934, to file this Schedule, as it may be amended, jointly on behalf of each of such parties.

Dated: February 2, 2009

STEELHEAD PARTNERS, LLC

By: /s/ James Michael Johnston  
James Michael Johnston  
Its Member-Manager

STEELHEAD NAVIGATOR MASTER, L.P.  
By: Steelhead Partners, LLC, its Investment Manager

By: /s/ James Michael Johnston  
James Michael Johnston  
Its Member Manager

JAMES MICHAEL JOHNSTON

/s/ James Michael Johnston  
James Michael Johnston

BRIAN KATZ KLEIN

/s/ Brian Katz Klein  
Brian Katz Klein

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o interest and yield rates in the market,

o geopolitical conditions and economic, financial, political, regulatory or judicial events that affect the Underlying or stock markets generally and which may affect the Final Level,

o the time remaining until the Securities mature, and

o any actual or anticipated changes in our credit ratings or credit spreads.

Some or all of these factors will influence the terms of the Securities at the time of issuance and the price that you will receive if you are able to sell your Securities prior to maturity, as the Securities are comprised of both a debt component and a performance-based component linked to the Underlying, and these are the types of factors that also generally affect the values of debt securities and derivatives linked to the Underlying. Generally, the longer the time remaining to maturity, the more the market price of the Securities will be affected by the other factors described above. For example, you may have to sell your Securities at a substantial discount from the principal amount of \$10 per Security if the value of the Underlying at the time of sale is at or below or moderately above its Initial Level, and especially if it is near or below the Downside

Threshold, or if market interest rates rise. You cannot predict the future performance of the Underlying based on its historical performance.

**The probability that the Final Level will be less than the Downside Threshold will depend on the volatility of the Underlying** — “Volatility” refers to the frequency and magnitude of changes in the level of the Underlying. Higher expected volatility with respect to the Underlying as of the Trade Date generally indicates a greater chance as of that date that the Final Level will be less than the Downside Threshold, which would result in a loss of a significant portion or all of your investment at maturity. However, the Underlying’s volatility can change significantly over the term of the Securities. The level of the Underlying could fall sharply, resulting in a significant loss of principal. You should be willing to accept the downside market risk of the Underlying and the potential loss of a significant portion or all of your investment at maturity.

**The amount payable on the Securities is not linked to the level of the Underlying at any time other than the Final Valuation Date** – The Final Level will be based on the Closing Level of the Underlying on the Final Valuation Date, subject to postponement for non-Index Business Days and certain Market Disruption Events. Even if the level of the Underlying appreciates prior to the Final Valuation Date but then drops by the Final Valuation Date, the Payment at Maturity may be significantly less than it would have been had the Payment at Maturity been linked to the level of the Underlying prior to such drop. Although the actual level of the Underlying on the stated Maturity Date or at other times during the term of the Securities may be higher than the Final Level, the Payment at Maturity will be based solely on the Closing Level of the Underlying on the Final Valuation Date as compared to the Initial Level.

**Investing in the Securities is not equivalent to investing in the Underlying or the stocks composing the Underlying** – Investing in the Securities is not equivalent to investing in the Underlying or the stocks that constitute the Underlying. Investors in the Securities will not have voting rights or rights to receive dividends or other distributions or any other rights with respect to the stocks that constitute the Underlying. Additionally, the Underlying is not a “total return” index, which, in addition to reflecting the market prices of the stocks that constitute the Underlying, would also reflect dividends paid on such stocks. The return on the Securities will not include such a total return feature.

**The rate we are willing to pay for securities of this type, maturity and issuance size is likely to be lower than the rate implied by our secondary market credit spreads and advantageous to us. Both the lower rate and the inclusion of costs associated with issuing, selling, structuring and hedging the Securities in the Issue Price reduce the economic terms of the Securities, cause the estimated value of the Securities to be less than the Issue Price and will adversely affect secondary market prices** – Assuming no change in market conditions or any other relevant factors, the prices, if any, at which dealers, including MS & Co., may be willing to purchase the Securities in secondary market transactions will likely be significantly lower than the Issue Price, because secondary market prices will exclude the issuing, selling, structuring and hedging-related costs that are included in the Issue Price and borne by you and because the secondary market prices will reflect our secondary market credit spreads and the bid-offer spread that any dealer would charge in a secondary market transaction of this type as well as other factors.

The inclusion of the costs of issuing, selling, structuring and hedging the Securities in the Issue Price and the lower rate we are willing to pay as issuer make the economic terms of the Securities less favorable to you than they otherwise would be.

However, because the costs associated with issuing, selling, structuring and hedging the Securities are not fully deducted upon issuance, for a period of up to 17 months following the Settlement Date, to the extent that MS & Co. may buy or sell the Securities in the secondary market, absent changes in market conditions, including those related to the Underlying, and to our secondary market credit spreads, it would do so based on values higher than the estimated value, and we expect that those higher values will also be reflected in your brokerage account statements.

**The estimated value of the Securities is determined by reference to our pricing and valuation models, which may differ from those of other dealers and is not a maximum or minimum secondary market price** – These pricing and valuation models are proprietary and rely in part on subjective views of certain market inputs and certain assumptions about future events, which may prove to be incorrect. As a result, because there is no market-standard way to value these types of securities, our models may yield a higher estimated value of the Securities than those generated by others, including other dealers in the market, if they attempted to value the Securities. In addition, the estimated value on the Trade Date does not represent a minimum or maximum price at which dealers, including MS & Co., would be willing to purchase your Securities in the secondary market (if any exists) at any time. The value of your Securities at any time after the date of this pricing supplement will vary based on many factors that cannot be predicted with accuracy, including our creditworthiness and changes in market conditions. See also “The market price of the Securities may be influenced by many unpredictable factors” above.

**Adjustments to the Underlying could adversely affect the value of the Securities** – The Underlying Publisher of the Underlying is responsible for calculating and maintaining the Underlying. The Underlying Publisher may add, delete or substitute the stocks constituting the Underlying or make other methodological changes required by certain corporate events relating to the stocks constituting the Underlying, such as stock dividends, stock splits, spin-offs, rights offerings and extraordinary dividends, that could change the value of the Underlying. The Underlying Publisher may discontinue or suspend calculation or publication of the Underlying at any time. In these circumstances, the Calculation Agent will have the sole discretion to substitute a Successor Underlying that is comparable to the discontinued Underlying, and is permitted to

consider indices that are calculated and published by the Calculation Agent or any of its affiliates. Any of these actions could adversely affect the value of the Underlying and, consequently, the value of the Securities.

**The Securities will not be listed on any securities exchange and secondary trading may be limited** – The Securities will not be listed on any securities exchange. Therefore, there may be little or no secondary market for the Securities. MS & Co. currently intends, but is not obligated, to make a market in the Securities and, if it once chooses to make a market, may cease doing so at any time. When it does make a market, it will generally do so for transactions of routine secondary market size at prices based on its estimate of the current value of the Securities, taking into account its bid/offer spread, our credit spreads, market volatility, the notional size of the proposed sale, the cost of unwinding any related hedging positions, the time remaining to maturity and the likelihood that it will be able to resell the Securities. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the Securities easily. Since other broker-dealers may not participate significantly in the secondary market for the Securities, the price at which you may be able to trade your Securities is likely to depend on the price, if any, at which MS & Co. is willing to transact. If, at any time, MS & Co. were to cease making a market in the Securities, it is likely that there would be no secondary market for the Securities. Accordingly, you should be willing to hold your Securities to maturity.

**Hedging and trading activity by our affiliates could potentially adversely affect the value of the Securities** – One or more of our affiliates and/or third-party dealers have carried out, and will continue to carry out, hedging activities related to the Securities, including trading in the constituent stocks of the Underlying, in futures or options contracts on the Underlying or the constituent stocks of the Underlying, as well as in other instruments related to the Underlying. As a result, these entities may be unwinding or adjusting hedge positions during the term of the Securities, and the hedging strategy may involve greater and more frequent dynamic adjustments to the hedge as the Final Valuation Date approaches. MS & Co. and some of our other affiliates also trade the constituent stocks of the Underlying, in futures or options contracts on the constituent stocks of the Underlying, as well as in other instruments related to the Underlying, on a regular basis as part of their general broker-dealer and other businesses. Any of these hedging or trading activities on or prior to the Trade Date could have increased the Initial Level of the Underlying, and, therefore, could have increased the Downside Threshold, which is the level at or above which the Underlying must close on the Final Valuation Date so that investors do not suffer a significant loss on their initial investment in the Securities. Additionally, such hedging or trading activities during the term of the Securities, including on the Final Valuation Date, could adversely affect the Closing Level of the Underlying on the Final Valuation Date, and, accordingly, the amount of cash payable at maturity, if any.

**Potential conflict of interest** – As Calculation Agent, MS & Co. has determined the Initial Level, the Downside Threshold and the Upside Gearing, will determine the Final Level and whether any Market Disruption Event has occurred and will calculate the amount payable at maturity, if any. Moreover, certain determinations made by MS & Co., in its capacity as Calculation Agent, may require it to exercise discretion and make subjective judgments, such as with respect to the occurrence or non-occurrence of Market Disruption Events and the selection of a Successor Underlying or calculation of the Final Level in the event of a discontinuance of the Underlying or a Market Disruption Event. These potentially subjective determinations may adversely affect the payout to you at maturity, if any. For further information regarding these types of determinations, see “Additional Terms of the Securities—Postponement of Final Valuation Date and Maturity Date,” “—Discontinuance of the Underlying; Alteration of Method of Calculation” and “—Calculation Agent and Calculations” below. In addition, MS & Co. has determined the estimated value of the Securities on the Trade Date.

**Potentially inconsistent research, opinions or recommendations by Morgan Stanley, UBS or our or their respective affiliates** – Morgan Stanley, UBS and our or their respective affiliates may publish research from time to time on financial markets and other matters that may influence the value of the Securities, or express opinions or provide recommendations that are inconsistent with purchasing or holding the Securities. Any research, opinions or recommendations expressed by Morgan Stanley, UBS or our or their respective affiliates may not be consistent with each other and may be modified from time to time without notice. Investors should make their own independent investigation of the merits of investing in the Securities and the Underlying to which the Securities are linked.

**Uncertain Tax Treatment** – Please note that the discussions in this pricing supplement concerning the U.S. federal income tax consequences of an investment in the Securities supersede the discussions contained in the accompanying prospectus supplement.

Subject to the discussion under “What Are the Tax Consequences of the Securities” in this pricing supplement, although there is uncertainty regarding the U.S. federal income tax consequences of an investment in the Securities due to the lack of governing authority, in the opinion of our counsel, Davis Polk & Wardwell LLP (“our counsel”), under current law, and based on current market conditions, each Security should be treated as a single financial contract that is an “open transaction” for U.S. federal income tax purposes.

If the Internal Revenue Service (the “IRS”) were successful in asserting an alternative treatment for the Securities, the timing and character of income on the Securities might differ significantly from the tax treatment described herein. For example, under one possible treatment, the IRS could seek to recharacterize the Securities as debt instruments. In that event, U.S. Holders (as defined below) would be required to accrue into income original issue discount on the Securities every year at a “comparable yield” determined at the time of issuance and recognize all income and gain in respect of the Securities as ordinary income. The risk that financial instruments providing for buffers, triggers or similar downside protection features, such as the Securities, would be recharacterized as debt is greater than the risk of recharacterization for comparable financial

instruments that do not have such features. We do not plan to request a ruling from the IRS regarding the tax treatment of the Securities, and the IRS or a court may not agree with the tax treatment described in this pricing supplement.

In 2007, the U.S. Treasury Department and the IRS released a notice requesting comments on the U.S. federal income tax treatment of “prepaid forward contracts” and similar instruments. The notice focuses in particular on whether to require holders of these instruments to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; whether short-term instruments should be subject to any such accrual regime; the relevance of factors such as the exchange-traded status of the instruments and the nature of the underlying property to which the instruments are linked; the degree, if any, to which income (including any mandated accruals) realized by Non-U.S. Holders (as defined below) should be subject to withholding tax; and whether these instruments are or should be subject to the “constructive ownership” rule, which very generally can operate to recharacterize certain long-term capital gain as ordinary income and impose an interest charge. While the notice requests comments on appropriate transition rules and effective dates, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the Securities, possibly with retroactive effect.

**Both U.S. and Non-U.S. Holders should read carefully the discussion under “What Are the Tax Consequences of the Securities” in this pricing supplement and consult their tax advisers regarding all aspects of the U.S. federal tax consequences of an investment in the Securities as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.**

Scenario Analysis and Examples at Maturity

**These examples are based on hypothetical terms. The actual terms are set forth on the cover of this pricing supplement.**

The below scenario analysis and examples are provided for illustrative purposes only and are hypothetical. They do not purport to be representative of every possible scenario concerning increases or decreases in the level of the Underlying relative to the Initial Level. We cannot predict the Final Level on the Final Valuation Date. You should not take the scenario analysis and these examples as an indication or assurance of the expected performance of the Underlying. The numbers appearing in the examples below have been rounded for ease of analysis. The following scenario analysis and examples illustrate the payment at maturity for a \$10.00 security on a hypothetical offering of the Securities, and reflect the Upside Gearing of 2.00 and the following terms\*:

Investment term:	10 years
Hypothetical Initial Level:	2,000
Hypothetical Downside Threshold:	1,300 (65% of the hypothetical Initial Level)
Upside Gearing:	2.00

\* The actual Initial Level and Downside Threshold are specified on the cover of this pricing supplement.

**Example 1— The level of the Underlying *increases* from an Initial Level of 2,000 to a Final Level of 2,200. The Underlying Return is greater than zero and expressed as a formula:**

$$\text{Underlying Return} = (2,200 - 2,000) / 2,000 = 10.00\%$$

$$\text{Payment at Maturity} = \$10 + [\$10 \times (10.00\% \times 2.00)] = \$12.00$$

Because the Underlying Return is equal to 10.00%, the Payment at Maturity is equal to \$12.00 per \$10.00 Principal Amount of Securities, resulting in a total return on the Securities of 20.00%.

**Example 2— The Final Level is equal to the Initial Level of 2,000. The Underlying Return is zero and expressed as a formula:**



$$\text{Underlying Return} = (2,000 - 2,000) / 2,000 = 0.00\%$$

$$\text{Payment at Maturity} = \$10.00$$

Because the Underlying Return is zero, the Payment at Maturity per Security is equal to the original \$10.00 Principal Amount per Security, resulting in a zero percent return on the Securities.

**Example 3— The level of the Underlying *decreases* from an Initial Level of 2,000 to a Final Level of 1,800.** The Underlying Return is negative and expressed as a formula:

$$\text{Underlying Return} = (1,800 - 2,000) / 2,000 = -10.00\%$$

$$\text{Payment at Maturity} = \$10.00$$

Because the Underlying Return is less than zero, but the Final Level is greater than or equal to the Downside Threshold on the Final Valuation Date, MSFL will pay you a Payment at Maturity equal to \$10.00 per \$10.00 Principal Amount of Securities, resulting in a zero percent return on the Securities.

**Example 4— The level of the Underlying *decreases* from an Initial Level of 2,000 to a Final Level of 800.** The Underlying Return is negative and expressed as a formula:

$$\text{Underlying Return} = (800 - 2,000) / 2,000 = -60.00\%$$

$$\text{Payment at Maturity} = \$10 + (\$10 \times -60.00\%) = \$4.00$$

Because the Underlying Return is less than zero and the Final Level is below the Downside Threshold on the Final Valuation Date, the Securities will be fully exposed to any decline in the level of the Underlying on the Final Valuation Date. Therefore, the Payment at Maturity is equal to \$4.00 per \$10.00 Principal Amount of Securities, resulting in a total loss on the Securities of 60.00%.

*If the Final Level is below the Downside Threshold on the Final Valuation Date, the Securities will be fully exposed to any decline in the Underlying, and you will lose a significant portion or all of your Principal Amount at maturity.*

*Scenario Analysis – Hypothetical Payment at Maturity for each \$10.00 Principal Amount of Securities.*

Performance of the Underlying*		Performance of the Securities		
Final Level	Underlying Return	Upside Gearing	Payment at Maturity	Return on Securities Purchased at \$10.00 <sup>(1)</sup>
4,000.00	100.00%	2.00	\$30.00	200.00]%
3,800.00	90.00%	2.00	\$28.00	180.00]%
3,600.00	80.00%	2.00	\$26.00	160.00]%
3,400.00	70.00%	2.00	\$24.00	140.00]%
3,200.00	60.00%	2.00	\$22.00	120.00]%
3,000.00	50.00%	2.00	\$20.00	100.00]%
2,800.00	40.00%	2.00	\$18.00	80.00]%
2,600.00	30.00%	2.00	\$16.00	60.00]%
2,400.00	20.00%	2.00	\$14.00	40.00]%
2,200.00	10.00%	2.00	\$12.00	20.00]%
<b>2,000.00</b>	<b>0.00%</b>	<b>N/A</b>	<b>\$10.00</b>	<b>0.00%</b>
1,800.00	-10.00%	N/A	\$10.00	0.00%
1,600.00	-20.00%	N/A	\$10.00	0.00%
1,400.00	-30.00%	N/A	\$10.00	0.00%
<b>1,300.00</b>	<b>-35.00%</b>	<b>N/A</b>	<b>\$10.00</b>	<b>0.00%</b>
1,280.00	-36.00%	N/A	\$6.40	-36.00%
1,200.00	-40.00%	N/A	\$6.00	-40.00%
1,000.00	-50.00%	N/A	\$5.00	-50.00%
800.00	-60.00%	N/A	\$4.00	-60.00%
600.00	-70.00%	N/A	\$3.00	-70.00%
400.00	-80.00%	N/A	\$2.00	-80.00%