

Report Prepared On: 08/02/13

Structured Product Details

Name	Performance Leveraged Upside Securities linked to POWERSHARES WILDERH CLEAN EN
Issue Size	\$13.80 million
Issue Price	\$10
Term	13 Months
Annualized Coupon	0.00%
Pricing Date	December 21, 2007
Issue Date	December 31, 2007
Valuation Date	January 15, 2009
Maturity Date	January 20, 2009
Issuer	Morgan Stanley
CDS Rate	126.4 bps
Swap Rate	4.25%
Reference Asset	POWERSHARES WIL- DERH CLEAN EN's
Initial Level	\$27.62
Dividend Rate	0.00%
Implied Volatility	40.95%
Delta¹	0.58
Fair Price at Issue	\$8.90
Realized Return	-68.61%
CUSIP	61747W729
SEC Link	www.sec.gov/Archives/edgar/ data/895421/000095010307003126/ dp08059_424b2-ps441.htm

**Performance Leveraged Upside Securities
 linked to POWERSHARES WILDERH
 CLEAN EN**

Description

Morgan Stanley issued \$13.80 million of Performance Leveraged Upside Securities linked to POWERSHARES WILDERH CLEAN EN on December 31, 2007 at \$10 per note.

These notes are Morgan Stanley-branded Buffered PLUS securities that do not pay periodic coupons, but instead pay a single amount at maturity depending on the final level of POWERSHARES WILDERH CLEAN EN's stock.

If on January 15, 2009 POWERSHARES WILDERH CLEAN EN's stock price is higher than \$27.62, but lower than \$29.78, the notes pay a return equal to the percentage increase in POWERSHARES WILDERH CLEAN EN's stock multiplied by 3.0, up to a cap of 23.50%. If on January 15, 2009 the refe is below \$27.62 but not below \$27.62, investors receive \$10 face value per note. If POWERSHARES WILDERH CLEAN EN's stock price on January 15, 2009 is lower than \$27.62, investors receive face value per note reduced by the amount the reference asset is below \$27.62 as a percent of the initial level, \$27.62.

Valuation

This product can be valued as a combination of a note from Morgan Stanley, one short out-of-the-money put option, three long at-the-money call options, and three short out-of-the-money call options. For reasonable valuation inputs this note was worth \$8.90 when it was issued on December 31, 2007 because the value of the options investors gave Morgan Stanley plus the interest investors would have received on Morgan Stanley's straight debt was worth \$1.10 more than the options investors received from Morgan Stanley.

There is no active secondary market for most structured products. Structured products, including this note, therefore are much less liquid than simple stocks, bonds, notes and mutual funds. Investors are likely to receive less than the structured product's estimated market value if they try to sell the structured product prior to maturity. Our valuations do not incorporate this relative lack of liquidity and therefore should be considered an upper bound on the value of the structured product.

Related Research

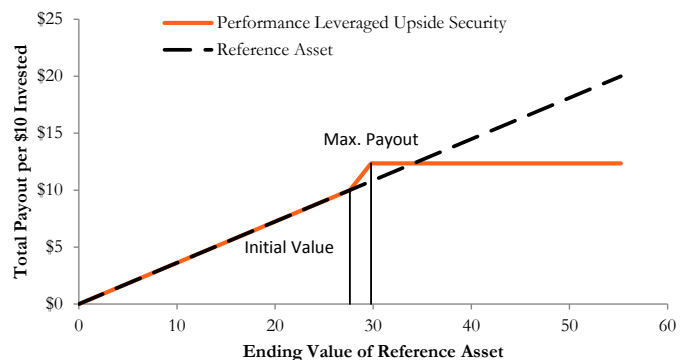
Research Papers:

www.slcg.com/research.php

- "Are Structured Products Suitable for Retail Investors?" December 2006.
- "Structured Products in the Aftermath of Lehman Brothers," November 2009.
- "What TiVo and JP Morgan Teach Us about Reverse Convertibles," June 2010.

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Payoff Curve at Maturity

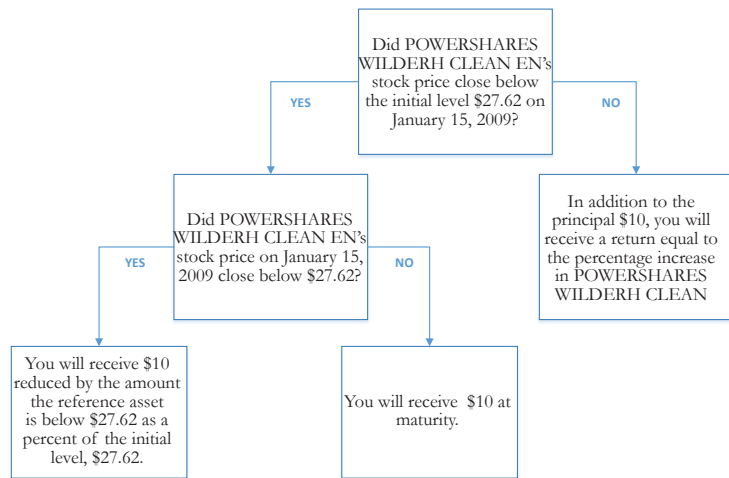


The payoff diagram shows the final payoff of this note given POWERSHARES WILDERH CLEAN EN's stock price (horizontal axis). For comparison, the dashed line shows the payoff if you invested in POWERSHARES WILDERH CLEAN EN's stock directly.

Principal Payback Table

POWERSHARES WILDERH CLEAN EN's Stock	Note Payoff
\$0.00	\$0.00
\$2.76	\$1.00
\$5.52	\$2.00
\$8.29	\$3.00
\$11.05	\$4.00
\$13.81	\$5.00
\$16.57	\$6.00
\$19.33	\$7.00
\$22.10	\$8.00
\$24.86	\$9.00
\$27.62	\$10.00
\$30.38	\$12.35
\$33.14	\$12.35
\$35.91	\$12.35
\$38.67	\$12.35
\$41.43	\$12.35

Maturity Payoff Diagram

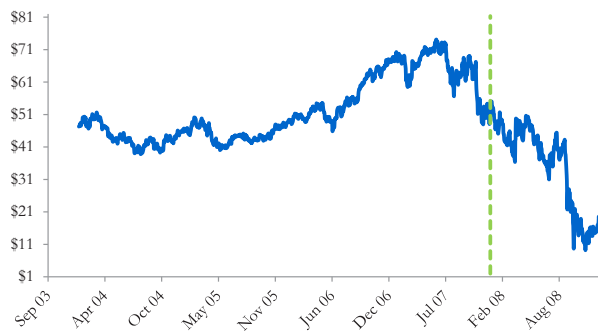


The contingent payoffs of this Performance Leveraged Upside Security.

Analysis

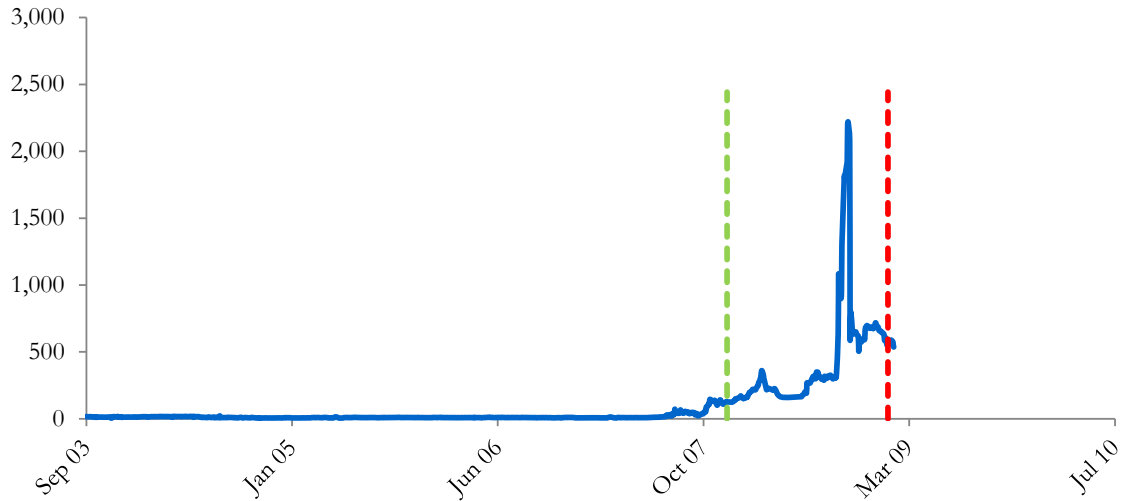
This Performance Leveraged Upside Security pays investors the increase in POWERSHARES WILDERH CLEAN EN's stock multiplied by 3.0 capped at 23.50%, but if POWERSHARES WILDERH CLEAN EN's stock declines over the term of the note, investors will suffer losses equal to the percentage decline in POWERSHARES WILDERH CLEAN EN's stock. In addition, investors bear the credit risk of Morgan Stanley. Investors purchasing this Performance Leveraged Upside Security effectively sell at-the-money put and out-of-the-money call options to Morgan Stanley, buy at-the-money call options, and a zero-coupon note from Morgan Stanley. This Performance Leveraged Upside Security is fairly priced if and only if the market value of the options investors received from Morgan Stanley equals the market value of the options investors gave Morgan Stanley plus the interest investors would have received on Morgan Stanley's straight debt.

Morgan Stanley's Stock Price



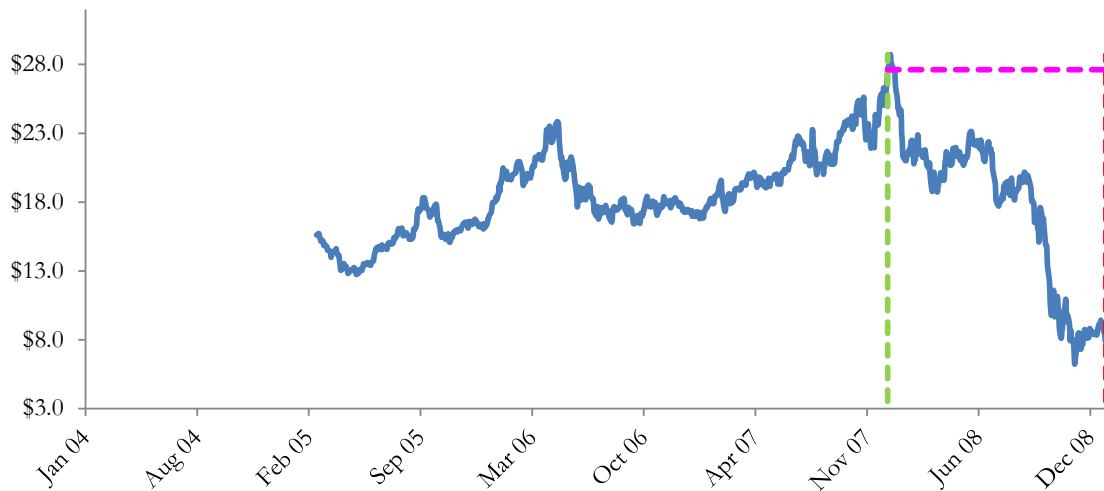
The graph above shows the adjusted closing price of the issuer Morgan Stanley for the past several years. The stock price of the issuer is an indication of the financial strength of Morgan Stanley. The adjusted price shown above incorporates any stock split, reverse stock split, etc.

Morgan Stanley's CDS Rate



Credit default swap (CDS) rates are the market price that investors require to bear credit risk of an issuer such as Morgan Stanley. CDS rates are usually given in basis points (bps). One basis point equals 0.01%. Higher CDS rates reflect higher perceived credit risk, higher required yields, and therefore lower market value of Morgan Stanley's debt, including outstanding Performance Leveraged Upside Security. Fluctuations in Morgan Stanley's CDS rate impact the market value of the notes in the secondary market.

POWERSHARES WILDERH CLEAN EN's Stock Price

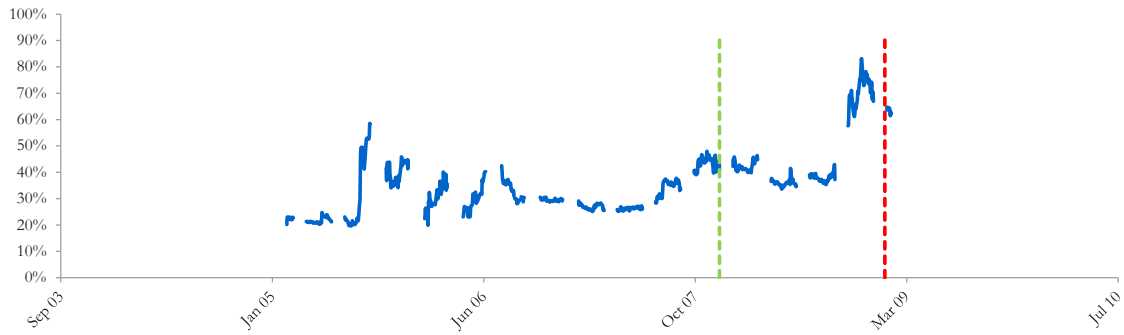


The graph above shows the historical levels of POWERSHARES WILDERH CLEAN EN's stock for the past several years. The final payoff of this note is determined by POWERSHARES WILDERH CLEAN EN's stock price at maturity. Higher fluctuations in POWERSHARES WILDERH CLEAN EN's stock price correspond to a greater uncertainty in the final payout of this Performance Leveraged Upside Security.

Realized Payoff

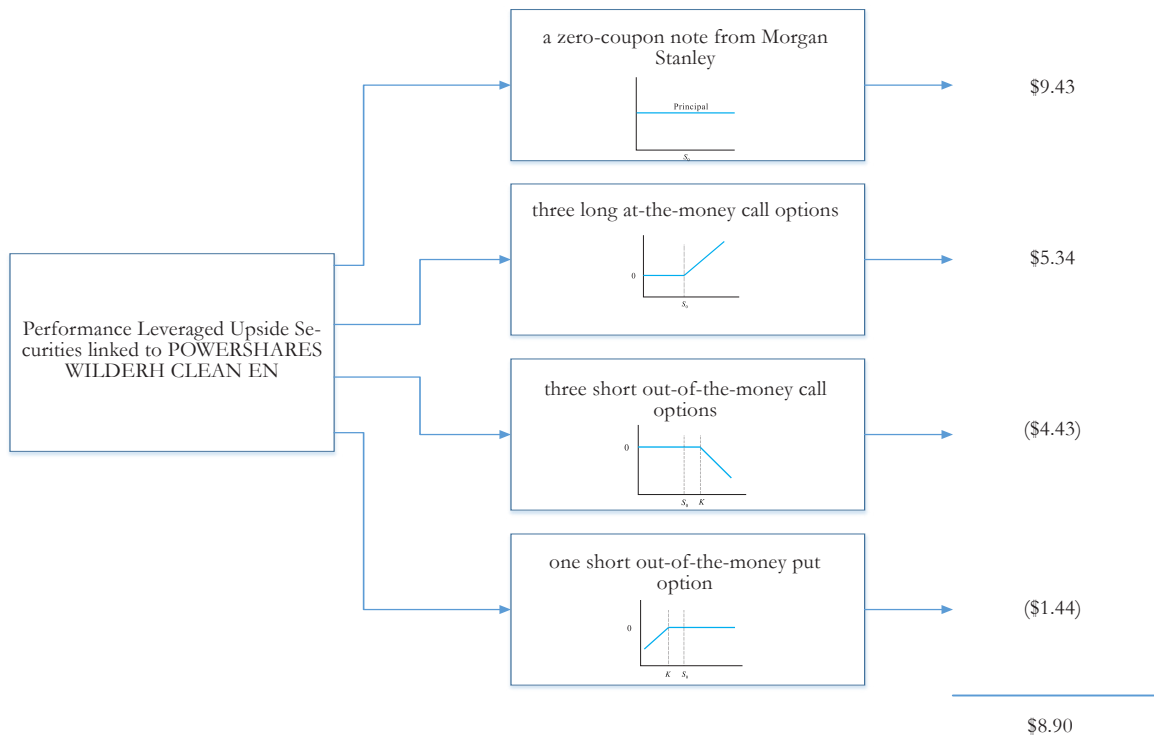
This note matured on January 20, 2009 and investors received \$2.94 per note.

Reference Asset POWERSHARES WILDERH CLEAN EN's Stock's Implied Volatility



The annualized implied volatility of POWERSHARES WILDERH CLEAN EN's stock on December 21, 2007 was 40.95%, meaning that options contracts on POWERSHARES WILDERH CLEAN EN's stock were trading at prices that reflect an expected annual volatility of 40.95%. The higher the implied volatility, the larger the expected fluctuations of POWERSHARES WILDERH CLEAN EN's stock price and of the Note's market value during the life of the Notes.

Decomposition of this Performance Leveraged Upside Security



This note can be decomposed into different components, and each component can be valued separately. The chart above shows the value of each component of this Performance Leveraged Upside Security.

1. Delta measures the sensitivity of the price of the note to the POWERSHARES WILDERH CLEAN EN's stock price on December 21, 2007.
2. CDS rates can be considered a measure of the probability that an issuer will default over a certain period of time and the likely loss given a default. The lower the CDS rate, the lower the default probability. CDS rate is given in basis points (1 basis point equals 0.01%), and is considered as a market premium, on top of the risk-free rate, that investors require to insure against a potential default.
3. Fair price evaluation is based on the Black-Scholes model of the POWERSHARES WILDERH CLEAN EN's stock on December 21, 2007.
4. Calculated payout at maturity is only an approximation, and may differ from actual payouts at maturity.
5. Our evaluation does not include any transaction fees, broker commissions, or liquidity discounts on the notes.