

Report Prepared On: 08/02/13

Structured Product Details

Name	PLUS linked to iShares FTSE China 25 Index Fund
Issue Size	\$711,000
Issue Price	\$1,000
Term	13 Months
Annualized Coupon	0.00%
Pricing Date	July 14, 2011
Issue Date	July 22, 2011
Valuation Date	August 17, 2012
Maturity Date	August 22, 2012
Issuer	Morgan Stanley
CDS Rate	64.65 bps
Swap Rate	0.73%
Reference Asset	iShares FTSE China 25 Index Fund
Initial Level	\$41.20
Dividend Rate	2.05%
Implied Volatility	25.93%
Delta¹	0.71
Fair Price at Issue	\$937.88
Realized Return	-15.06%
CUSIP	617482WP5
SEC Link	www.sec.gov/Archives/edgar/data/895421/000095010311002937/dp25348_424b2-ps884a.htm

PLUS linked to iShares FTSE China 25 Index Fund

Description

Morgan Stanley issued \$711,000 of PLUS linked to iShares FTSE China 25 Index Fund on July 22, 2011 at \$1,000 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 iShares FTSE China 25 Index Fund.

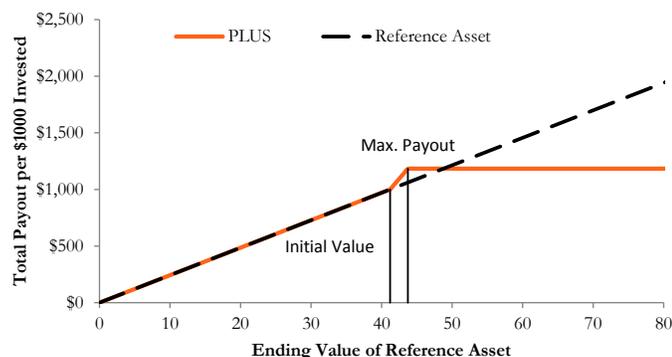
If on August 17, 2012 iShares FTSE China 25 Index Fund's share price is higher than \$41.20, but lower than \$43.73, the notes pay a return equal to the percentage increase in iShares FTSE China 25 Index Fund multiplied by 3.0, up to a cap of 18.40%. If on August 17, 2012 the refe is below \$41.20 but not below \$41.20, investors receive \$1,000 face value per note. If iShares FTSE China 25 Index Fund's share price on August 17, 2012 is lower than \$41.20, investors receive face value per note reduced by the amount the reference asset is below \$41.20 as a percent of the initial level, \$41.20.

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 \$937.88 when it was issued on July 22, 2011 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 \$62.12 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.

Payoff Curve at Maturity



The payoff diagram shows the final payoff of this note given iShares FTSE China 25 Index Fund's share price (horizontal axis). For comparison, the dashed line shows the payoff if you invested in iShares FTSE China 25 Index Fund directly.

Related Research

Research Papers:

www.slcg.com/research.php

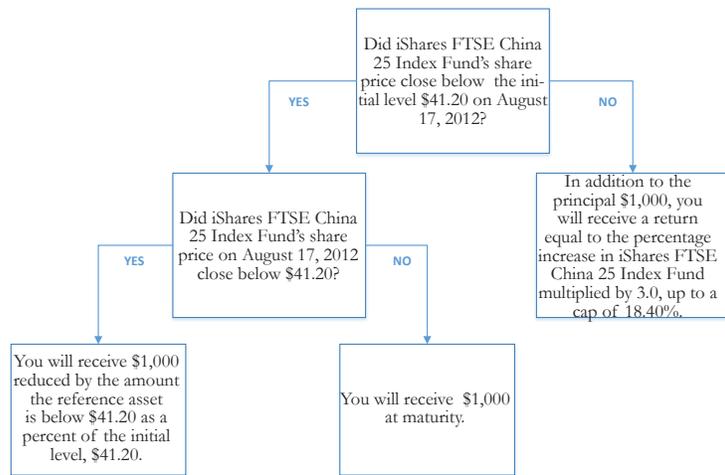
- "Are Structured Products Suitable for Retail Investors?" December 2006.
- "Structured Products in the Aftermath of Lehman Brothers," November 2009.
- "What TiVo and JP Morgan Teach Us about Reverse Convertibles," June 2010.

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Principal Payback Table

iShares FTSE China 25 Index Fund	Note Payoff
\$0.00	\$0.00
\$4.12	\$100.00
\$8.24	\$200.00
\$12.36	\$300.00
\$16.48	\$400.00
\$20.60	\$500.00
\$24.72	\$600.00
\$28.84	\$700.00
\$32.96	\$800.00
\$37.08	\$900.00
\$41.20	\$1,000.00
\$45.32	\$1,184.00
\$49.44	\$1,184.00
\$53.56	\$1,184.00
\$57.68	\$1,184.00
\$61.80	\$1,184.00

Maturity Payoff Diagram

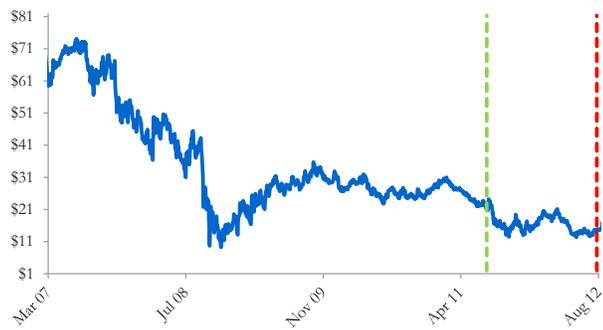


The contingent payoffs of this PLUS.

Analysis

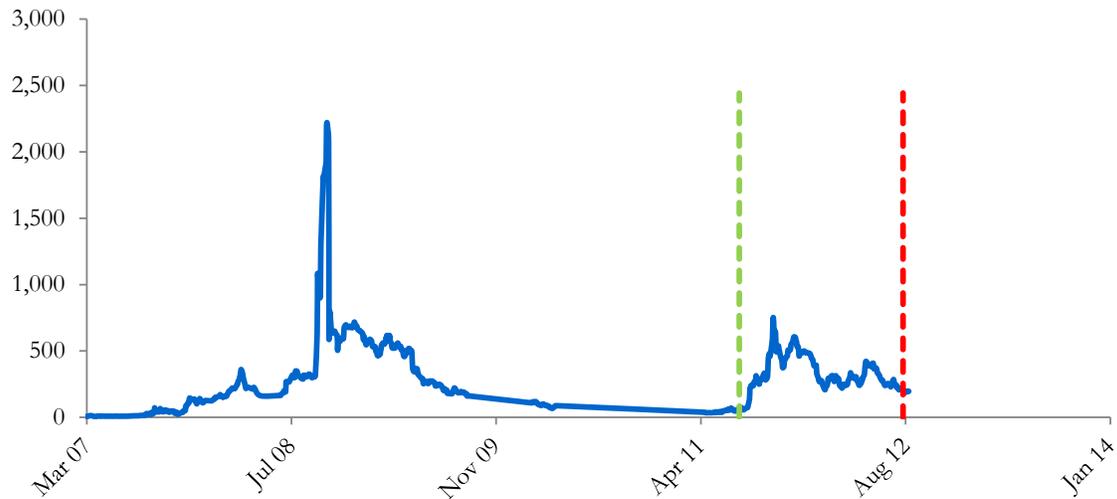
This PLUS pays investors the increase in iShares FTSE China 25 Index Fund multiplied by 3.0 capped at 18.40%, but if iShares FTSE China 25 Index Fund declines over the term of the note, investors will suffer losses equal to the percentage decline in iShares FTSE China 25 Index Fund. In addition, investors bear the credit risk of Morgan Stanley. Investors purchasing this PLUS 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 PLUS 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



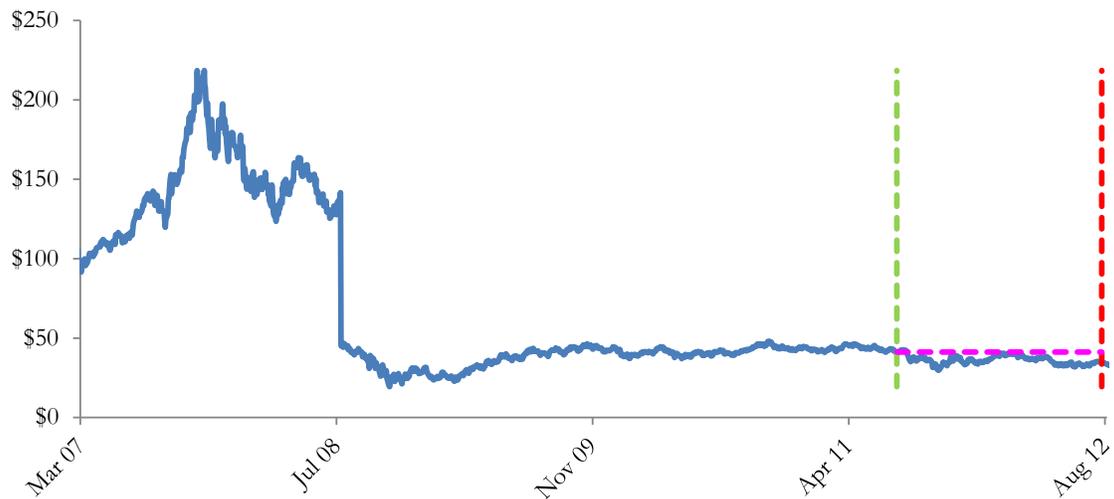
The graph above shows the adjusted closing price of the issuer Morgan Stanley for the past several years. The stock price of the issuer is an indication of the financial strength of Morgan Stanley. The adjusted price shown above incorporates any stock split, reverse stock split, etc.

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 PLUS. Fluctuations in Morgan Stanley's CDS rate impact the market value of the notes in the secondary market.

iShares FTSE China 25 Index Fund's Share Price

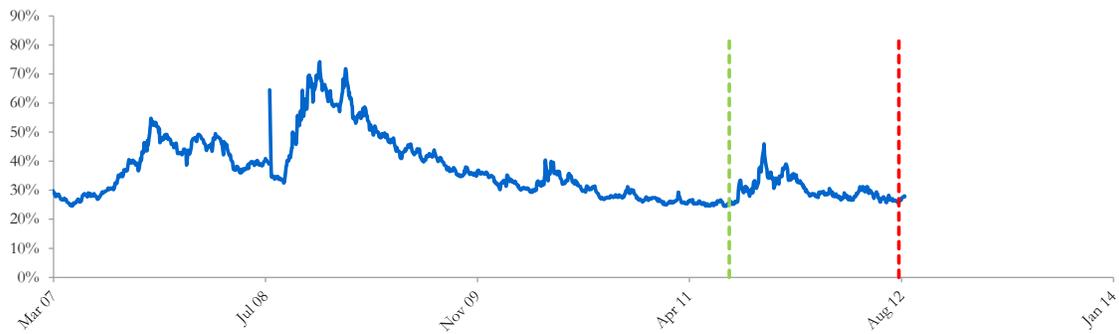


The graph above shows the historical levels of iShares FTSE China 25 Index Fund for the past several years. The final payoff of this note is determined by iShares FTSE China 25 Index Fund's share price at maturity. Higher fluctuations in iShares FTSE China 25 Index Fund's share price correspond to a greater uncertainty in the final payout of this PLUS.

Realized Payoff

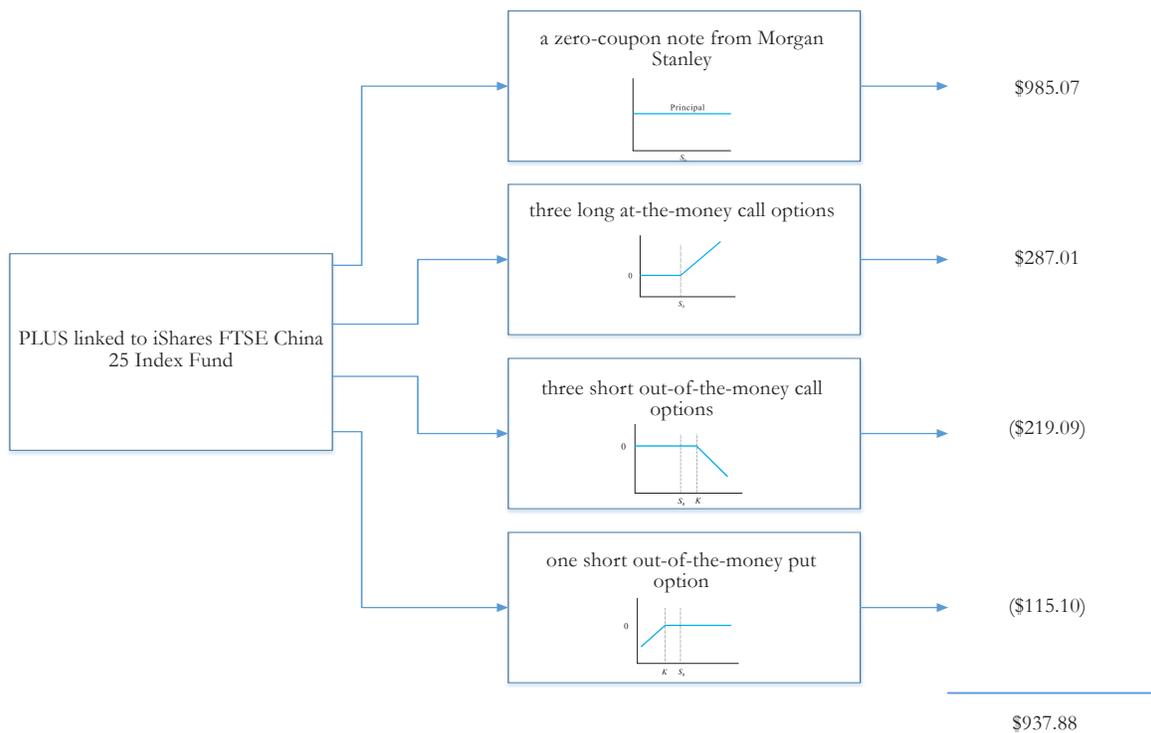
This note matured on August 22, 2012 and investors received \$837.38 per note.

Reference Asset iShares FTSE China 25 Index Fund's Implied Volatility



The annualized implied volatility of iShares FTSE China 25 Index Fund on July 14, 2011 was 25.93%, meaning that options contracts on iShares FTSE China 25 Index Fund were trading at prices that reflect an expected annual volatility of 25.93%. The higher the implied volatility, the larger the expected fluctuations of iShares FTSE China 25 Index Fund's share price and of the Note's market value during the life of the Notes.

Decomposition of this PLUS



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 PLUS.

1. Delta measures the sensitivity of the price of the note to the iShares FTSE China 25 Index Fund's share price on July 14, 2011.
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 iShares FTSE China 25 Index Fund on July 14, 2011.
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.