Morgan Stanley

Product Note

Range Accrual Note on FTSE 100 and S&P GSCI Crude Oil

A MORGAN STANLEY BACKED INVESTMENT OPPORTUNITY

The Range Accrual Note is designed for investors who are looking for an attractive fixed income return based on a neutral or slightly positive view on the FTSE 100 and S&P GSCI Crude Oil indices. The Note accrues a quarterly coupon for every day both underlying indices are at or above 50% of their initial levels.

The high income returns available on this product reflect market values and high market volatility. Investors have this opportunity in exchange for accepting the risk of capital loss. Capital is at risk if either of the indices closes at or below 50% of its initial level at maturity. Available in Sterling denomination.

INCOME RETURNS

The note accumulates a fixed **quarterly income amount of 2%** for every day that both underlying indices are at or above 50% of their initial levels. This equates to 8% on an annualised simple basis. For example, possible scenarios in each quarter:

Amount of time both indices are above 50% of initial levels during the quarter	**Quarterly coupon**
0%	0%
33.33% (1 month)	0.666%
66.66% (2 months)	1.333%
100% (3 months)	2%

REDEMPTION AT MATURITY

The repayment at maturity depends on the performance of both of the indices. There are two scenarios:

Scenario 1: both of the indices close above 50% of their initial levels at maturity.

- Investors receive 100% of their initial investment

Scenario 2: one of the indices closes at or below 50% of its initial level at maturity

- Capital is at risk on a 1-1 basis if the worst performing index finishes below 50% of its initial level. The redemption amount reflects the performance of the worst performing of the two indices. For example, if the worst performing index has fallen by 60% during the life and is at 40% at maturity, investors suffer a 60% loss and the redemption amount is 40% of the initial investment

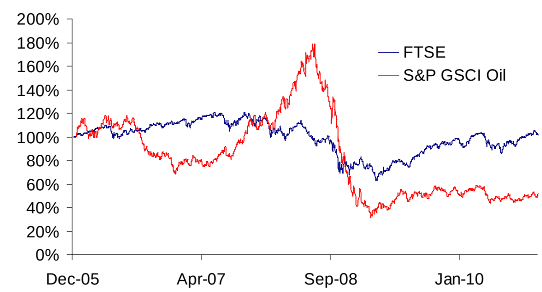
The table shows how the redemption at maturity varies depending on the worst performing of the two indices:

Performance of Index with Worst Performance (% of initial level)	**Redemption at Maturity**
140%	100%
120%	100%
100%	100%
80%	100%
60%	100%
50%	50%
40%	40%
20%	20%
0%	0%

HISTORICAL PERFORMANCE

The FTSE 100 and S&P GSCI Crude Oil Indices represent the largest companies listed in the UK and the Crude Oil market respectively.

5-Year Performance of FTSE 100, S&P GSCI Indices



Source: Morgan Stanley / Bloomberg, 25 February 2011. Past performance is no guide to future performance.

KEY FEATURES

- Potential quarterly income of 2%
- Potentially timely investment opportunity given the current valuation of the FTSE 100 and S&P GSCI Oil Indices
- Defensive outlook – capital is protected as long as no index has fallen below 50% of its initial level at maturity
- Denominated in Sterling

KEY TERMS

<table>
<tr><td>Type</td><td>Morgan Stanley Note</td></tr>
<tr><td>ISIN</td><td>XS0599032926</td></tr>
<tr><td>Underlyings</td><td>FTSE 100 (UKX)
S&P GSCI Crude Oil Index (SPGCCLP)</td></tr>
<tr><td>Currency</td><td>GBP</td></tr>
<tr><td>Maturity</td><td>5 years</td></tr>
<tr><td>Nominal Size</td><td>GBP 100 (“Par”)</td></tr>
<tr><td>Pricing Date</td><td>15 April 2011</td></tr>
<tr><td>Issue/Settlement Date</td><td>26 April 2011</td></tr>
<tr><td>Coupon payment dates</td><td>
<table>
<tr><th>No</th><th>Payment date</th></tr>
<tr><td>1</td><td>26-Jul-11</td></tr>
<tr><td>2</td><td>26-Oct-11</td></tr>
<tr><td>3</td><td>26-Jan-12</td></tr>
<tr><td>4</td><td>26-Apr-12</td></tr>
<tr><td>5</td><td>26-Jul-12</td></tr>
<tr><td>6</td><td>26-Oct-12</td></tr>
<tr><td>7</td><td>28-Jan-13</td></tr>
<tr><td>8</td><td>26-Apr-13</td></tr>
<tr><td>9</td><td>26-Jul-13</td></tr>
<tr><td>10</td><td>28-Oct-13</td></tr>
<tr><td>11</td><td>27-Jan-14</td></tr>
<tr><td>12</td><td>29-Apr-14</td></tr>
<tr><td>13</td><td>28-Jul-14</td></tr>
<tr><td>14</td><td>27-Oct-14</td></tr>
<tr><td>15</td><td>26-Jan-15</td></tr>
<tr><td>16</td><td>27-Apr-15</td></tr>
<tr><td>17</td><td>27-Jul-15</td></tr>
<tr><td>18</td><td>26-Oct-15</td></tr>
<tr><td>19</td><td>26-Jan-16</td></tr>
<tr><td>20</td><td>26-Apr-16</td></tr>
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</td></tr>
<tr><td>Final Index Level</td><td>Index level as of 19th April 2016</td></tr>
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INVESTMENT CONSIDERATIONS

- Credit Risk: The holder of the Notes will be exposed to the credit risk of the Issuer.
- Market Risk: The return on the Notes is linked to the performance of the underlying indices, the future performance of which cannot be guaranteed.
- Liquidity Risk: The Notes will not be traded on an organized exchange. Although Morgan Stanley & Co. International plc will use reasonable efforts to quote bid and offer prices (subject to internal policy and applicable laws and regulations), the liquidity of the Notes may be limited.
- Exit Risk: The secondary market price of the Notes will depend on many factors, including the value and volatility of the underlying indices, interest rates, the dividend rate on the stocks that comprise the equity index, time remaining to maturity and the creditworthiness of the Issuer. Prior to maturity, the holder may receive an amount which may be less than the amount the holder would have received on maturity of the Note.
- Interest Risk: Unlike ordinary debt securities, the Notes do not pay interest. The return of the Note will not compensate you for the effects of inflation and other factors relating to the value of money over time.
- The Notes offer partial capital protection. You could lose a portion of your initial investment.
- Investors do not receive any dividends paid to holders of shares in the underlying index.

Commodity Risk: Prices for commodities are affected by a variety of factors, including changes in supply and demand relationships, governmental programs and policies, national and international political and economic events, wars and acts of terror, changes in interest and exchange rates, trading activities in commodities and related contracts, weather, and agricultural, trade fiscal, monetary and exchange control policies. The price volatility of each commodity also affects the value of the futures and forward contracts related to that commodity and therefore its price at any such time. These factors may affect the prices for the Components of the Commodity Index and the value of the Notes in varying ways and may cause the closing levels and settlement prices of the Commodity Index to move in inconsistent directions and at inconsistent rates

Potential investors should refer to the principal memorandum and supplemental memorandum for a description of the risk factors associated with this product.

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