

Commodity Protected Tracker Note (GBP-5 Year)

The Commodity Protected Tracker Note offers an interesting opportunity for investors who would like upside exposure to the commodity market in GBP, while taking advantage of the pricing environment and securing a high degree of capital protection.

This investment is designed for investors with a medium term view, who are looking to take advantage of any upside in the commodity market and who require a high degree of capital protection.

The Commodity Protected Tracker Note offers 100% participation in the performance of the commodity basket over the 5 year term from the 95% strike (i.e. 1 to 1 upside from the capital protection level). The principal protection is 95%.

REDEMPTION AT MATURITY

The redemption amount paid at maturity has two components: a Principal Repayment and a Growth Return. The Growth Return depends on the performance of an equally weighted basket of Corn, Cotton, Soybeans and Sugar (Bberg: C1 Cmdty, CT1 Cmdty, S1 Cmdty, SB1 Cmdty).

Growth Return

This depends on the performance of the commodity basket over the 5-year term.

- Investors receive 100% of the performance of the basket from the 95% strike, measured as the weighted sum of the percentage performance of each Underlying Commodity by which the Final Price exceeds 95% of the Initial Price

Principal Repayment

- Investors receive 95% of their initial investment

KEY FEATURES

- Upside participation to a basket of commodities
- Secondary market provided by Morgan Stanley¹
- London listed
- No Stamp Duty
- 95% capital protection

¹ in normal market conditions and subject to internal policy and applicable laws and regulations

PRODUCT DETAILS

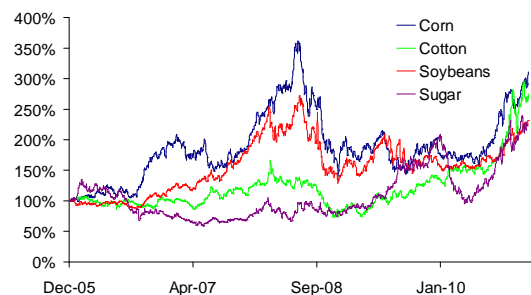
TYPE	Medium Term Note (Issuer: Morgan Stanley S&P Rating: A)
CURRENCY	GBP
MATURITY	5 years
DENOMINATION	GBP 1.00 ("Par")
INITIAL BASKET LEVEL	4 th February 2011
ISSUANCE DATE	18 th February 2011
PARTICIPATION IN BASKET GROWTH	100%
BASKET PERFORMANCE	The equally weighted sum of the performance percentage of each Underlying Commodity. The Final Price of each Underlying Commodity is the arithmetic average of the official settlement price over the final 12 months up to and including 4 February 2016 (13 observations).
MATURITY DATE	18 th February 2016
ISIN	XS0581078838

UNDERLYING BASKET

No.	Underlying Commodity	Bberg Code	Weight
1	Corn	C1 Cmdty	25%
2	Cotton No.2	CT1 Cmdty	25%
3	Soybeans	S1 Cmdty	25%
4	Sugar #11 World	SB1 Cmdty	25%

HISTORICAL PERFORMANCE

5 year performance of Corn, Cotton, Soybeans and Sugar



Source: Morgan Stanley/Bloomberg, 17 January 2011. Past performance is no guide to future performance.

SCENARIO ANALYSIS

The table below shows the calculation of the total Redemption at Maturity for a range of final Basket levels, based on an initial investment of GBP100 and a participation of 100%:

Final Basket Level as % of Initial Basket Level	Principal Repayment at Maturity (GBP)	Growth Return (GBP)	Total Redemption Amount at Maturity (GBP)
0%	£95	£0	£95
50%	£95	£0	£95
90%	£95	£0	£95
95%	£95	£0	£95
100%	£95	£5	£100
110%	£95	£15	£110
130%	£95	£35	£130
150%	£95	£55	£150
170%	£95	£75	£170

INVESTMENT CONSIDERATIONS

- The redemption amounts described are provided only at maturity. If the notes are not held until maturity, the price will depend on numerous factors, including the level and volatility of the underlying basket, the remaining time to maturity, interest rates and the perception of the issuer's credit quality, and may be below par.
- Credit risk. Although the notes are designed to provide the returns described, this depends on the ability of the issuer (Morgan Stanley) to meet its financial obligations.
- Adjustment and Disruption Risk: The commodities markets are subject to temporary distortions or other disruptions due to various factors, including the lack of liquidity in the markets, the participation of speculators and government regulation and intervention. These circumstances could adversely affect the values of the Underlying Commodity and, therefore, the Final Redemption Amount in respect of the Notes.
- Adjustments by the Determination Agent: The terms and conditions of the Notes will allow the Determination Agent to make adjustments or take any other appropriate action if circumstances occur where the Notes or any exchanges are affected by market disruption, adjustment events or circumstances affecting normal activities
- Credit Risk: The holder of the Notes will be exposed to the credit risk of the Issuer.
- 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 Underlying Commodity and the value of the Notes in varying ways and may cause the closing levels and closing prices of the Underlying Commodity to move in inconsistent directions and at inconsistent rates.
- Exit Risk: The secondary market price of the Notes will depend on many factors, including the value and volatility of the Underlying Commodity, the price of the Underlying Commodity at any time on any day and the time left until the maturity of the Notes, interest rates, time remaining to maturity and the creditworthiness of the Issuer. Therefore the holder may receive an amount which may be less than the then intrinsic market value of the Notes and which may also be less than the amount the holder would have received had the holder held the Notes through to maturity.
- Hedging Risk: On or prior to and after the Trade Date, the Issuer, through its affiliates or others, will likely hedge its anticipated exposure under the Notes by taking positions in the Underlying Commodity, in option contracts on the Underlying Commodity or positions in any other available securities or instruments. In addition, the Issuer and its affiliates trade the Underlying Commodity as part of their general businesses. Any of these activities could potentially affect the value of the Underlying Commodity Reference Prices, including on the Determination Date, and accordingly, could significantly affect the payout to holders on the Notes.
- Potential Conflict of Interest: The Determination Agent is an affiliate of the Issuer and the economic interests of the Determination Agent may be adverse to the interests of holders of the Notes. Determinations made by the Determination Agent, including in the event of a market disruption may affect the amount payable to holders pursuant to the terms of the Notes.

IMPORTANT INFORMATION

The Commodity Reference Price for each Underlying Commodity are listed below:

1. **Corn:** (CORN-CBOT) The official settlement price per bushel of deliverable grade corn on the CBOT of the first nearby month futures contract; provided that any pricing date after the date of the Last Trade of the Options Contract (if there is more than one Options Contract, then the Options Contract with the latest date) pertaining to the first nearby month futures contract (the "Last Trading Day"), shall look to the second nearby month futures contract, stated in U.S. cents, as made public by the CBOT
2. **Cotton:** (COTTON NO.2 –NYBOT) The official settlement price per pound of deliverable grade cotton No. 2 on the NYBOT of the first nearby month futures contract; provided that any pricing date after the date of the Last Trade of the Options Contract (if there is more than one Options Contract, then the Options Contract with the latest date) pertaining to the first nearby month futures contract (the "Last Trading Day"), shall look to the second nearby month futures contract, stated in U.S. cents, as made public by the NYBOT
3. **Soybeans:** (SOYBEANS - CBOT) The official settlement price per bushel of deliverable grade soybeans on the CBOT of the first nearby month futures contract; provided that any pricing date after the date of the Last Trade of the Options Contract (if there is more than one Options Contract, then the Options Contract with the latest date) pertaining to the first nearby month futures contract (the "Last Trading Day"), shall look to the second nearby month futures contract, stated in U.S. cents, as made public by the CBOT
4. **Sugar:** (SUGAR # 11 (WORLD)-NYBOT) The official settlement price per pound of deliverable grade sugar cane on the NYBOT of the first nearby month futures contract; provided that any pricing date after the date of the Last Trade of the Options Contract (if there is more than one Options Contract, then the Options Contract with the latest date) pertaining to the first nearby month futures contract (the "Last Trading Day"), shall look to the second nearby month futures contract, stated in U.S. cents, as made public by the NYBOT

Official Settlement Price in all cases

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