FTSE 100 Protected Growth Note (GBP, max. 6Y)

A MORGAN STANLEY BACKED INVESTMENT OPPORTUNITY

The Morgan Stanley Protected Growth Note is designed to give investors the benefits of investing in the UK stock market, while protecting their initial investment. The note offers the opportunity for investment growth via exposure to the FTSE 100 index, with the potential to redeem early in the third year and receive a fixed return.

TWO ROUTES TO INVESTMENT RETURNS

There are two ways investors can achieve a positive return from their investment:

Early Exit feature: If, after three years, the FTSE 100 Index has risen by 10% or more, investors exit the note early and receive a fixed return of 20%, plus the return of their initial capital.

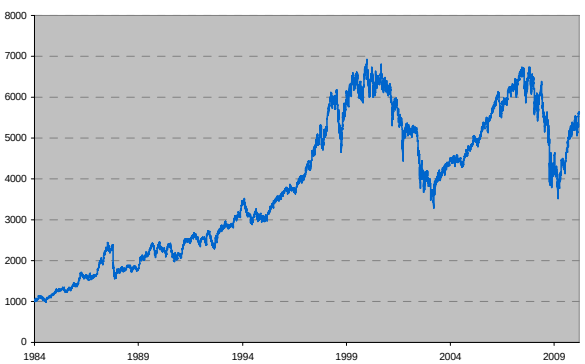
Or uncapped growth potential at maturity: If the early exit feature is not triggered, the note will continue for the full six year term, and investors will receive 100% of any growth in the FTSE 100, uncapped.

PROTECTION FROM A FALLING MARKET

Capital is 100% protected at maturity. If the FTSE 100 is unchanged or has fallen over the investment term, investors will not receive any investment growth, but their initial capital will be protected. Capital is protected by securities issued by Morgan Stanley (currently rated A by Standard & Poors). In the event of Morgan Stanley going into liquidation, investors may lose all or part of their initial investment.

FTSE 100 INDEX: HISTORICAL PERFORMANCE

The below chart shows the historical performance of the FTSE 100 Index from its inception (3rd January 1984) to present (16th March 2010).



Based on this historical performance, we ran a backtest looking at the returns the note would have generated for each possible start date from 3rd January 1984 to 16th March 2004.[1]

- The Early Exit would have been triggered in 75% of cases
- In cases where the Early Exit was not triggered, the average return of the note would have been 108.2%, versus an average FTSE 100 Index return of 101.28%

The past performance of the index is not necessariy a guide to its performance in the future and there is no certainty that the future performance of the index will be positive.

KEY INVESTMENT ADVANTAGES

- Two possible routes to investment returns, including the opportunity to realise gains after just three years if certain conditions are met
- 100% capital protection provided by Morgan Stanley
- Denominated in GBP, therefore no currency risk for GBP investors
- Daily secondary market and liquidity

KEY INVESTMENT CONSIDERATIONS

- Investors are exposed to the credit risk of Morgan Stanley
- If the Early Exit feature is triggered, investors do not participate in any index growth above the fixed return of 20%
- The secondary market price of the notes will depend on many factors, including, but not limited to, the index level, volatility and interest rates. If investors sell before maturity, they may receive less than their initial investment
- Note returns do not include any returns from dividend income or participation in corporate actions, as would be the case if you invested directly in the shares underlying the index

[1] This backtest is hypothetical only and the terms available on products launched on historical dates would differ from the terms available today. Backtests should not be relied upon for future performance of the product.

NOTE DETAILS

Y0: Plan Start Date — The Initial Level of the FTSE 100 Index is recorded

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Y3: Early Exit Date — Is the prevailing FTSE Index level 10% or more higher than the Initial Level?

YES: The note will terminate early and investors receive a fixed return of 20% plus the return of their capital.

NO: The note continues to Maturity Date

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Y6: Maturity Date — Investors receive 100% participation in any FTSE Index Growth, plus the return of 100% of their initial capital

ISSUER	Morgan Stanley (S&P Rating: A)
ISIN	XS0492503478
UNDERLYING	FTSE 100 Index (UKX Index)
CURRENCY	GBP
MATURITY	6 years max, with Early Exit possible after 3 years.
ISSUE PRICE	1 GBP
MINIMUM INVESTMENT AMOUNT	3000 GBP
SUBSCRIPTION PERIOD	15th March 2010 to 30th April 2010. We will be unable to accept any subscriptions after this deadline and reserve the right to close the subscription period early.
START DATE	25th May 2010
EARLY EXIT DATE	28th May 2013
MATURITY DATE	8th June 2016
INITIAL INDEX LEVEL	The official closing level of the FTSE 100 Index on 25th May 2010
EARLY EXIT INDEX LEVEL	The official closing level of the FTSE 100 Index on 28th May 2013
FINAL INDEX LEVEL	The average of the monthly official closing levels on the 25th of each month from May 2015 to May 2016

If any of the dates in this table are not London business days, or days on which the relevant stock exchanges are not functioning normally, the date will move forward to the following business day.

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