

# 5Y USD Discounted Airbag Note on Wal-Mart Stores Inc

Continuous Barrier 75% / Upside Participation 110%

SVSP Product Type: Outperformance Bonus Note (1330)

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE IN THE UNITED STATES. **THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED AT ANY TIME, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES (WHICH TERM INCLUDES THE TERRITORIES, THE POSSESSIONS AND ALL OTHER AREAS SUBJECT TO THE JURISDICTION OF THE UNITED STATES OF AMERICA) OR TO OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT).** IN PURCHASING THE NOTES, YOU HEREBY REPRESENT AND WARRANT THAT YOU ARE NEITHER LOCATED IN THE UNITED STATES NOR A U.S. PERSON AND THAT YOU ARE NOT PURCHASING FOR, OR FOR THE ACCOUNT OR BENEFIT OF, ANY SUCH PERSON. THE NOTES ARE NOT RATED.

The Notes are senior unsecured obligations of Morgan Stanley, and all payments on the notes, including the repayment of principal, are subject to the credit risk of Morgan Stanley. The Notes are not bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency, nor are they obligations of, or guaranteed by, a bank.

Terms used but not defined herein are as defined in the Base Prospectus for the Program for the Issuance of Notes, Series A and B, Warrants and Certificates dated 15 June 2010 (the "**Base Prospectus**").

**POTENTIAL INVESTORS ARE URGED TO CONSULT WITH THEIR LEGAL, REGULATORY, INVESTMENT, ACCOUNTING, TAX AND OTHER ADVISORS WITH REGARD TO ANY PROPOSED OR ACTUAL INVESTMENT IN THESE SECURITIES.**

**THESE NOTES ARE FOR DISTRIBUTION BY WAY OF PUBLIC OFFER IN SWITZERLAND ONLY – SEE SELLING RESTRICTIONS AND IMPORTANT INFORMATION AT THE END OF THIS MATERIAL FOR FULL DETAILS**

<b>ISSUER</b>	Morgan Stanley B.V., Locatellikade 1, 1076 AZ Amsterdam, The Netherlands (Registered office). The Issuer is registered with the Dutch Chamber of Commerce.
<b>GUARANTOR</b>	Morgan Stanley
<b>GUARANTOR RATING</b>	A2 (Moody's) / A (S&P)
<b>ISIN</b>	XS0615756003
<b>VALOR</b>	12825342
<b>TYPE</b>	Note
<b>SVSP PRODUCT TYPE</b>	Outperformance Bonus Note (1330)
<b>NOTIONAL</b>	USD 3,000,000
<b>DENOMINATIONS (PAR)</b>	USD 1,000
<b>TRADE DATE</b>	01 April 2011
<b>STRIKE DATE</b>	01 April 2011
<b>ISSUE DATE</b>	15 April 2011
<b>DETERMINATION DATE</b>	01 April 2016
<b>MATURITY DATE</b>	15 April 2016

<b>UNDERLYING</b>	<b>Wal-Mart Stores Inc</b> (Bloomberg Ticker: WMT US)
<b>REDEMPTION AMOUNT</b>	<p>An amount, per Note, will be paid on Maturity Date determined in accordance with the following formula:</p> <p>On Determination Date,</p> <p>(i) If the official closing price of the Underlying is greater than 100% of WMT_INITIAL and the Underlying has, during the life of the product, never touched 75% of WMT_INITIAL, then:</p> <p style="text-align: center;"><b>100% + 110% *[( WMT_FINAL / WMT_INITIAL)-1]</b></p> <p>(ii) If the official closing of the Underlying is less than 100% of WMT_INITIAL and, during the life of the note, has never touched 75% of WMT_INITIAL, then:</p> <p style="text-align: center;"><b>100%</b></p> <p>(iii) Otherwise, If the Underlying has, during the life of the note, ever touched 75% of WMT_INITIAL, then:</p> <p style="text-align: center;"><b>Physical Settlement</b> shall apply</p>
<b>PHYSICAL SETTLEMENT</b>	<p>Number of Shares = Par / Initial Reference Price rounded down to the nearest round lot as permitted by the Exchange for trading purpose, the fraction of the round lot (the "Residual Amount") shall be paid in Cash Residual</p> <p>Cash Residual = Residual Amount * Final Reference Price, rounded down to the nearest cent</p>
<b>WMT_INITIAL</b>	<b>USD 52.13</b> (Closing price on Strike Date)
<b>WMT_FINAL</b>	The closing price of the Underlying on the Determination Date
<b>DETERMINATION AGENT</b>	Morgan Stanley & Co. International plc. All calculations will be at the Determination Agent's sole discretion and, in the absence of manifest error, will be conclusive.
<b>SETTLEMENT CURRENCY</b>	USD
<b>BUSINESS DAYS</b>	New York and London
<b>BUSINESS DAYS CONVENTION</b>	Following
<b>MARKET MAKING</b>	Under normal market conditions, and subject to applicable law and regulations and Morgan Stanley internal policy, Morgan Stanley & Co. International plc will use reasonable efforts to quote bid and offer prices. However, Morgan Stanley & Co. International plc will not be legally obliged to do so.
<b>CLEARING SYSTEMS</b>	Euroclear
<b>FORM</b>	Registered
<b>OFFER</b>	Public Offer in Switzerland
<b>LISTING</b>	None
<b>FEES</b>	In connection with the offer and sale of the Notes, the Issuer or the Dealer may pay to any intermediary a one time or recurring intermediary fee. The investor acknowledges and agrees that any such fees will be retained by the intermediary. Further information is available from either the sales intermediary or Morgan Stanley upon request.
<b>BOND FLOOR AT ISSUE</b>	Not Applicable
<b>SWISS TAX TREATMENT</b>	<b><i>The Swiss tax section is valid at the time of the issuance of the product. Swiss tax laws and the practice of the Swiss tax authorities</i></b>

**may change, possibly with retroactive effect. Prospective Swiss resident, EU resident and third country resident purchasers of the product should consult their own tax advisers concerning the tax consequences of purchasing, holding and disposing of the product in the light of their particular circumstances.**

*This product is not subject to Swiss withholding tax and Swiss stamp issuance tax. Secondary market transactions and redemptions concerning this product are not subject to Swiss stamp transfer tax.*

**Tax Treatment for Swiss resident individuals**

*This product is classified as a pure derivative financial instrument for Swiss tax purposes.*

*As a result, any gain on the disposal/redemption of the product is tax-free for individual investors holding the product for private investment purposes.*

*A capital loss is not tax-deductible.*

**Tax Treatment for EU resident individuals**

*For Swiss paying agents, the product is not subject to EU Savings Tax (Telekurs Code 7).*

Morgan Stanley is not qualified to give legal, tax or accounting advice to its clients and does not purport to do so in this document. Clients are urged to seek the advice of their own professional advisers about the consequences of the proposals contained herein.

US Treasury Circular 230 Notice - Morgan Stanley does not render advice on tax and tax accounting matters to clients. This material was not intended or written to be used, and it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer under U.S. federal tax laws.

## **Risk Factors**

**Potential investors are urged to consult with their legal, regulatory, investment, accounting, tax and other advisors with regard to any proposed or actual investment in these Notes.**

**Please see the Base Prospectus and applicable Final Terms for a full detailed description of the Notes and in particular, please review the Risk Factors associated with these Notes. Investing in the Notes entails certain risks including, but not limited to, the following:**

**Adjustments:** 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, corporate events or circumstances affecting normal activities.

**Credit Risk:** The holder of the Notes will be exposed to the credit risk of the Issuer.

**Event Risk:** If an event occurs which in the opinion of the Determination Agent may have a diluting or concentrative effect on the value of the Underlying, the Determination Agent will have discretion to make changes to the terms of the Notes to account for any such effect; and such changes may affect the value of the Notes. If the Determination Agent determines that the event will not have a diluting or concentrative effect on the value of the Underlying, the Determination Agent will not adjust the terms of the Notes.

**Exit Risk:** The secondary market price of the Note will depend on many factors, including the value and volatility of the Underlying, interest rates, the dividend rate on the Underlying, time remaining to maturity and the creditworthiness of the Issuer and the Guarantor. Therefore the holder may receive an amount which may be less than the then intrinsic market value of the Note and which may also be less than the amount the holder would have received had the holder held the Note 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, in option contracts on the Underlying or

positions in any other available securities or instruments. In addition, the Issuer and its affiliates trade the Underlying as part of their general businesses. Any of these activities could potentially affect the value of the Underlying, and accordingly, could affect the payout to holders on the Notes.

**Liquidity Risk:** [The Notes will not be traded on an organized exchange.] The Dealer will make a secondary market in the Notes on a reasonable efforts basis only and subject to market conditions, law, regulation and internal policy. The liquidity of the Notes reflects the liquidity of the Underlying and even whilst there may be a secondary market in the Notes it may not be liquid enough to facilitate a sale by the holder.

**Market Risk:** Price movements in the Underlying may not correlate with each other. Increases in the value of one or more of the Basket Components may be moderated, or wholly offset, by lesser increases or declines in the value of one or more of the other components.

**No Shareholder Rights:** A holder of Notes will have no beneficial interest in the Underlying nor any voting rights and will not have the right to receive dividends or other distributions with respect to the Underlying

**Potential Conflict of Interest:** The Determination Agent (MSIL) 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 or corporate event affecting the value of the Basket Components or trading on the relevant Exchange, may affect the amount payable to holders pursuant to the terms of the Notes.

**Underlying Issuer Risk:** The issuer of the Underlying is not an affiliate of the Issuer or its affiliates and is not involved with this offering in any way. Consequently, the Issuer and its affiliates have no ability to control the actions of the issuer of the Underlying, including any corporate actions that could trigger an adjustment to the terms of the Notes by the Determination Agent.

## Selling Restrictions

No public offering of the product, or possession or distribution of any offering material in relation thereto, is permitted in any other jurisdiction unless in compliance with all applicable laws, regulations, codes, directives, orders and/or regulatory requirements, rules and guidance in force from time to time including, for the avoidance of doubt, the EU Prospectus Directive (2003/71/EC) and any implementing measures and Regulation S of the United States Securities Act 1933 as amended (the "Securities Act"). The product may not be offered, sold, transferred or delivered directly or indirectly in the United States to, or for the account or benefit of, any U.S. Person (as defined in Regulation S under the Securities Act).

## Investor Representations

Any investment in the product made with the intention to offer, sell or otherwise transfer (together, "distribute" and each a "distribution") such product to prospective investors will be deemed to include, without limitation, the following representations, undertakings and acknowledgements:

- a) you shall only distribute as principal or, alternatively, acting on a commission basis in your own name for the account of your investors and will not do so as agent for any Morgan Stanley entity (together "**Morgan Stanley**") who shall assume no responsibility or liability whatsoever in relation to any such distribution. You shall distribute the product in your own name and to such customers as you identify in your own discretion, at your own risk and under your sole responsibility. You shall make such enquiries you deem relevant in order to satisfy yourself that prospective investors have the requisite capacity and authority to purchase the product and that the product is suitable for those investors;
- b) you shall not make any representation or offer any warranty to investors regarding the product, the Issuer or Morgan Stanley or make any use of the Issuer's or Morgan Stanley's name, brand or intellectual property which is not expressly authorised and you shall not represent you are acting as an agent of Morgan Stanley in such distribution. You acknowledge that neither the Issuer nor Morgan Stanley assume any responsibility or liability whatsoever in relation to any representation or warranty you make in breach hereof;
- c) if you distribute any material prepared and transmitted by the Issuer or by Morgan Stanley, you shall only distribute the entire material and not parts thereof. Any material you, or any third party you engage on your behalf, prepare shall be true and accurate in all material respects and consistent in all material respects with the content of the Base Prospectus and the Final Terms and shall not contain any omissions that would make them misleading. You shall only prepare and distribute such material in accordance with all applicable laws, regulations, codes, directives, orders and/or regulatory requirements, rules and guidance in force from time to time ("**Regulations**"). You acknowledge that neither the Issuer nor Morgan Stanley shall have any liability in respect of such material which shall, for the avoidance of doubt, at all times be your sole responsibility;

- d) you will not, directly or indirectly, distribute or arrange the distribution of the product or disseminate or publish (which for the avoidance of doubt will include the dissemination of any such materials or information via the internet) any materials or carry out any type of solicitation in connection with the product in any country or jurisdiction, except under circumstances that will result in compliance with all applicable Regulations and selling practices, and will not give rise to any liability for the Issuer or Morgan Stanley. For the avoidance of doubt, this includes compliance with the selling restrictions mentioned herein;
- e) if you receive any fee, rebate or discount, you shall not be in breach of any Regulation or customer or contractual requirements or obligations and you shall, where required to do so (whether by any applicable Regulation, contract, fiduciary obligation or otherwise), disclose such fees, rebates and discounts to your investors. You acknowledge that where fees are payable, or rebates or discounts applied, the Issuer and Morgan Stanley are obliged to disclose the amounts and/or basis of such fees, rebates or discounts at the request of any of your investors or where required by any applicable Regulations.
- f) we may enter into hedging or other arrangements in reliance upon your commitment, and, if you fail to comply with your commitment, your liability to us shall include liability for our costs and losses in unwinding such hedging or other arrangements;
- g) you are not purchasing the Notes as an extension of credit to Morgan Stanley pursuant to a loan agreement entered into in the ordinary course of your trade or business;
- h) you agree and undertake to indemnify and hold harmless and keep indemnified and held harmless the Issuer, the Dealer and each of their respective affiliates and their respective directors, officers and controlling persons from and against any and all losses, actions, claims, damages and liabilities (including without limitation any fines or penalties and any legal or other expenses incurred in connection with defending or investigating any such action or claim) caused directly or indirectly by you or any of your affiliates or agents to comply with any of the provisions set out in (a) to (h) above, or acting otherwise than as required or contemplated herein.

WE OFFER TO PURCHASE FROM MORGAN STANLEY & CO. INTERNATIONAL PLC THE SPECIFIED QUANTITY OF NOTES DESCRIBED IN THIS TERMSHEET, UPON THE TERMS SET OUT IN THIS TERMSHEET, SUBJECT TO ANY MODIFICATIONS AGREED BETWEEN US.

[PURCHASERS LEGAL NAME]

Name \_\_\_\_\_

Signature \_\_\_\_\_

Date: \_\_\_\_\_

### **Important Information**

This information has been prepared solely for information purposes and is not an offer or a solicitation to buy or sell the product. Any investment decision should be made only based on the terms of the base prospectus and final terms for the product, the terms of which will supersede the terms herein. No representation or warranty is given with respect to the accuracy or completeness of the information herein.

The Morgan Stanley Group is a financial services group involved in a wide range of investment banking and other activities out of which conflicting interests or duties may arise. Such activities include asset management, corporate finance and securities services, derivative and loan issuing, trading (including for customers, proprietary and hedging) and research. In addition, in the course of its activities, the Morgan Stanley Group may hold long or short positions and may trade or otherwise effect transactions for its own account or the accounts of customers in debt or equity securities or senior debt (A) issued by the Issuer or any entity involved in associated transactions, (B) included in any securities or assets or substantially similar securities or assets that the notes reference, (C) that may be purchased by the Issuer or any entity involved in associated transactions or (D) the trading of which may affect investments made by the issuer or any entity involved in associated transactions.

The notes may be placed to investors in individually negotiated transactions at varying prices. In addition, a discount may be applied to the Issue Price.