

MORGAN STANLEY  
Form FWP  
July 13, 2018

## July 2018

Preliminary Terms No. 795

Registration Statement Nos. 333-221595; 333-221595-01

Dated July 12, 2018

Filed pursuant to Rule 433

Morgan Stanley Finance LLC

Structured Investments

Opportunities in U.S. Equities

Contingent Income Auto-Callable Securities due July 16, 2021, With 6-month Initial Non-Call Period

**All Payments on the Securities Based on the Worst Performing of the Common Stock of Costco Wholesale Corporation and the Common Stock of Ulta Beauty, Inc.**

**Fully and Unconditionally Guaranteed by Morgan Stanley**

### Principal at Risk Securities

The securities offered are unsecured obligations of Morgan Stanley Finance LLC (“MSFL”) and are fully and unconditionally guaranteed by Morgan Stanley. The securities have the terms described in the accompanying product supplement and prospectus, as supplemented or modified by this document. The securities do not guarantee the repayment of principal and do not provide for the regular payment of interest. Instead, the securities will pay a contingent quarterly coupon **but only if** the determination closing price of **each of the common stock of Costco Wholesale Corporation and the common stock of Ulta Beauty, Inc.**, which we refer to collectively as the underlying stocks, is **at or above** 60% of its respective initial share price, which we refer to as the respective downside threshold level, on the related observation date. If, however, the determination closing price of **either underlying stock** is less than its respective downside threshold level on any observation date, we will pay no interest for the related quarterly period. In addition, the securities will be automatically redeemed if the determination closing price of **each underlying stock** is **greater than or equal to** its respective initial share price on any quarterly redemption determination date (beginning after six months) for the early redemption payment equal to the sum of the stated principal amount plus the related contingent quarterly coupon. At maturity, if the securities have not previously been redeemed and the final share price of **each underlying stock** is **greater than or equal to** its respective downside threshold level, the payment at maturity will also be the sum of the stated principal amount and the related contingent quarterly coupon. However, if the final share price of **either underlying stock** is **less than** its respective downside threshold level, investors will be exposed to the decline in the worst performing underlying stock on a 1-to-1 basis and will receive a payment at maturity that is less than 60% of the stated principal amount of the securities and could be zero. **Accordingly, investors in the securities must be willing to accept the risk of losing their entire initial investment and also the risk of not receiving any contingent quarterly coupons throughout the 3-year term of the securities.** The securities are for investors who are willing to risk their principal and seek an opportunity to earn

interest at a potentially above-market rate in exchange for the risk of receiving no quarterly interest over the entire 3-year term and in exchange for the possibility of an automatic early redemption prior to maturity. Because the payment of contingent quarterly coupons is based on the worst performing of the underlying stocks, the fact that the securities are linked to two underlying stocks does not provide any asset diversification benefits and instead means that a decline of **either** underlying stock below the relevant downside threshold level will result in no contingent quarterly coupons, even if the other underlying stock closes at or above its downside threshold level. Because all payments on the securities are based on the worst performing of the underlying stocks, a decline beyond the respective downside threshold level of either underlying stock will result in no contingent quarterly coupon payments and a significant loss of your investment, even if the other underlying stock has appreciated or has not declined as much. Investors will not participate in any appreciation of either underlying stock. The securities are notes issued as part of MSFL's Series A Global Medium-Term Notes program.

**All payments are subject to our credit risk. If we default on our obligations, you could lose some or all of your investment. These securities are not secured obligations and you will not have any security interest in, or otherwise have any access to, any underlying reference asset or assets.**

### SUMMARY TERMS

<b>Issuer:</b>	Morgan Stanley Finance LLC
<b>Guarantor:</b>	Morgan Stanley
<b>Underlying stocks:</b>	Costco Wholesale Corporation common stock (the "COST Stock") and Ulta Beauty, Inc. common stock (the "ULTA Stock")
<b>Aggregate principal amount:</b>	\$
<b>Stated principal amount:</b>	\$1,000 per security
<b>Issue price:</b>	\$1,000 per security (see "Commissions and issue price" below)
<b>Pricing date:</b>	July 13, 2018
<b>Original issue date:</b>	July 18, 2018 (3 business days after the pricing date)
<b>Maturity date:</b>	July 16, 2021
<b>Early redemption:</b>	The securities are not subject to automatic early redemption until January 17, 2019. Following this initial six-month non-call period, if, on any redemption determination date, beginning on January 14, 2019, the determination closing price of <b>each underlying stock</b> is greater than or equal to its respective initial share price, the securities will be automatically redeemed for an early redemption payment on the related early redemption date. No further payments will be made on the securities once they have been redeemed.
<b>Early redemption payment:</b>	<b>The securities will not be redeemed early on any early redemption date if the determination closing price of either underlying stock is below its respective initial share price on the related redemption determination date.</b> The early redemption payment will be an amount equal to (i) the stated principal amount for each security you hold <i>plus</i> (ii) the contingent quarterly coupon with respect to the related observation date.
<b>Determination closing price:</b>	With respect to each underlying stock, the closing price of such underlying stock on any redemption determination date or observation date (other than the final observation date), <i>times</i> the adjustment factor on such determination date or observation date, as applicable
<b>Redemption determination dates:</b>	Quarterly, as set forth under "Observation Dates, Redemption Determination Dates, Coupon Payment Dates and Early Redemption Dates" below, subject to postponement for non-trading days and certain market disruption events
<b>Early redemption dates:</b>	Starting on January 17, 2019, quarterly. See "Observation Dates, Redemption Determination Dates, Coupon Payment Dates and Early Redemption Dates" below. If any such day is not a

business day, that early redemption payment will be made on the next succeeding business day and no adjustment will be made to any early redemption payment made on that succeeding business day

A *contingent* quarterly coupon at an annual rate of 8.45% (corresponding to approximately \$21.125 per quarter per security) will be paid on the securities on each coupon payment date **but only if** the determination closing price of **each underlying stock** is at or above its respective downside threshold level on the related observation date.

**Contingent quarterly coupon:** If, on any observation date, the determination closing price of either underlying stock is less than its respective downside threshold level, no contingent quarterly coupon will be paid with respect to that observation date. It is possible that one or both underlying stocks will remain below their respective downside threshold level(s) for extended periods of time or even throughout the entire 3-year term of the securities so that you will receive few or no contingent quarterly coupons.

**Downside threshold level:** With respect to the COST Stock, \$ , which is equal to 60% of its initial share price

With respect to the ULTA Stock, \$ , which is equal to 60% of its initial share price  
If the securities are not redeemed prior to maturity, investors will receive a payment at maturity determined as follows:

- If the final share price of **each underlying stock** is **greater than or equal to** its respective downside threshold level: (i) the stated principal amount *plus* (ii) the contingent quarterly coupon with respect to the final observation date

**Payment at maturity:** · If the final share price of **either underlying stock** is **less than** its respective downside threshold level: (i) the stated principal amount *multiplied by* (ii) the share performance factor of the worst performing underlying stock

*Under these circumstances, the payment at maturity will be significantly less than the stated principal amount of \$1,000, and will represent a loss of more than 40%, and possibly all, of your investment.*

**Terms continued on the following page**

**Agent:** Morgan Stanley & Co. LLC (“MS & Co.”), an affiliate of MSFL and a wholly owned subsidiary of Morgan Stanley. See “Supplemental information regarding plan of distribution; conflicts of interest.”

**Estimated value on the pricing date:** Approximately \$967.00 per security, or within \$15.00 of that estimate. See “Investment Summary” beginning on page 3.

**Commissions and issue price: Price to public Agent’s commissions<sup>(1)</sup> Proceeds to us<sup>(2)</sup>**

<b>Per security</b>	\$1,000	\$	\$
<b>Total</b>	\$	\$	\$

(1) *Selected dealers and their financial advisors will collectively receive from the agent, MS & Co., a fixed sales commission of \$ for each security they sell. See “Supplemental information regarding plan of distribution; conflicts of interest.” For additional information, see “Plan of Distribution (Conflicts of Interest)” in the accompanying product supplement.*

(2) See “Use of proceeds and hedging” on page 28.

**The securities involve risks not associated with an investment in ordinary debt securities. See “Risk Factors” beginning on page 12.**

**The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this document or the accompanying product supplement and prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**The securities are not deposits or savings accounts and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency or instrumentality, nor are they obligations of, or guaranteed by, a bank.**

**You should read this document together with the related product supplement and prospectus, each of which can be accessed via the hyperlinks below. Please also see “Additional Information About the Securities” at the end of this document.**

**As used in this document, “we,” “us” and “our” refer to Morgan Stanley or MSFL, or Morgan Stanley and MSFL collectively, as the context requires.**

**Product Supplement for Auto-Callable Securities dated November 16, 2017**  
**November 16, 2017**

**Prospectus dated**

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Morgan Stanley Finance LLC

Contingent Income Auto-Callable Securities due July 16, 2021, With 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Common Stock of Costco Wholesale Corporation and the Common Stock of Ulta Beauty, Inc.

Principal at Risk Securities

*Terms continued from previous page:*

<b>Initial share price:</b>	With respect to the COST Stock, \$ _____, which is its closing price on the pricing date
<b>Coupon payment dates:</b>	Quarterly, as set forth under “Observation Dates, Redemption Determination Dates, Coupon Payment Dates and Early Redemption Dates” below. If any such day is not a business day, that coupon payment will be made on the next succeeding business day and no adjustment will be made to any coupon payment made on that succeeding business day; <i>provided further</i> that the contingent quarterly coupon, if any, with respect to the final observation date shall be paid on the maturity date.
<b>Observation dates:</b>	Quarterly, as set forth under “Observation Dates, Redemption Determination Dates, Coupon Payment Dates and Early Redemption Dates” below, subject, independently in the case of each underlying stock, to postponement for non-trading days and certain market disruption events. We also refer to July 13, 2021 as the final observation date.
<b>Final share price:</b>	With respect to each underlying stock, the closing price of such underlying stock on the final observation date <i>times</i> the adjustment factor on such date
<b>Adjustment factor:</b>	With respect to each underlying stock, 1.0, subject to adjustment in the event of certain corporate events affecting such underlying stock
<b>Worst performing underlying stock:</b>	The underlying stock with the larger percentage decrease from the respective initial share price to the respective final share price
<b>Share performance factor:</b>	Final share price <i>divided by</i> the initial share price
<b>CUSIP / ISIN:</b>	61768C7H4 / US61768C7H41
<b>Listing:</b>	The securities will not be listed on any securities exchange.

Observation Dates, Redemption Determination Dates, Coupon Payment Dates and Early Redemption Dates

<b>Observation Dates / Redemption Determination Dates</b>	<b>Coupon Payment Dates / Early Redemption Dates</b>
October 15, 2018*	October 18, 2018*
January 14, 2019	January 17, 2019
April 15, 2019	April 18, 2019
July 15, 2019	July 18, 2019
October 14, 2019	October 17, 2019
January 13, 2020	January 16, 2020
April 13, 2020	April 16, 2020
July 13, 2020	July 16, 2020
October 13, 2020	October 16, 2020
January 13, 2021	January 19, 2021
April 13, 2021	April 16, 2021

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July 13, 2021 (final observation date)

July 16, 2021 (maturity date)

\* The securities are not subject to automatic early redemption until the second coupon payment date, which is January 17, 2019.

July 2018 Page 2

Morgan Stanley Finance LLC

Contingent Income Auto-Callable Securities due July 16, 2021, With 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Common Stock of Costco Wholesale Corporation and the Common Stock of Ulta Beauty, Inc.

Principal at Risk Securities

Investment Summary

## Contingent Income Auto-Callable Securities

### Principal at Risk Securities

Contingent Income Auto-Callable Securities due July 16, 2021, With 6-month Initial Non-Call Period All Payments on the Securities Based on the Worst Performing of the Common Stock of Costco Wholesale Corporation and the Common Stock of Ulta Beauty, Inc. (the “securities”) do not provide for the regular payment of interest. Instead, the securities will pay a contingent quarterly coupon at an annual rate of 8.45% **but only if** the determination closing price of **each underlying stock** is **at or above** 60% of its respective initial share price, which we refer to as the respective downside threshold level, on the related observation date. If the determination closing price of **either underlying stock** is less than its downside threshold level on any observation date, we will pay no coupon for the related quarterly period. It is possible that the determination closing price of **one or both underlying stocks will remain below their respective downside threshold levels** for extended periods of time or even throughout the entire 3-year term of the securities so that you will receive few or no contingent quarterly coupons during the entire term of the securities. We refer to these coupons as contingent, because there is no guarantee that you will receive a coupon payment on any coupon payment date. Even if both underlying stocks were to be at or above their respective downside threshold levels on some quarterly observation dates, one or both underlying stocks may fluctuate below the respective downside threshold level(s) on others. In addition, if the securities have not been automatically called prior to maturity and the final share price of **either underlying stock** is less than its respective downside threshold level, investors will be exposed to the decline in the worst performing underlying stock on a 1-to-1 basis, and will receive a payment at maturity that is less than 60% of the stated principal amount of the securities and could be zero. **Accordingly, investors in the securities must be willing to accept the risk of losing their entire initial investment and also the risk of not receiving any contingent quarterly payments throughout the entire 3-year term of the securities.**

**Maturity:**

Approximately 3 years

**Contingent**

**quarterly coupon:**

A *contingent* quarterly coupon at an annual rate of 8.45% (corresponding to approximately \$21.125 per quarter per security) will be paid on the securities on each coupon payment date **but only if** the determination closing price of **each underlying stock** is at or above its respective downside threshold level on the related observation date.

**If on any observation date, the determination closing price of either underlying stock is less than its respective downside threshold level, we will pay no coupon for the applicable quarterly period.**

**Automatic early redemption quarterly in or after January 2019:**

Starting on January 17, 2019, if the determination closing price of **each underlying stock** is greater than or equal to their respective initial share price on any quarterly redemption determination date, beginning on January 14, 2019, the securities will be automatically redeemed for an early redemption payment equal to the stated principal amount *plus* the contingent quarterly coupon with respect to the related observation date.

If the securities have not previously been redeemed and the final share price of **each underlying stock** is **greater than or equal to** its respective downside threshold level, the payment at maturity will be the sum of the stated principal amount and the related contingent quarterly coupon.

**Payment at maturity:**

If the final share price of **either underlying stock** is less than its downside threshold level, investors will receive a payment at maturity based on the decline in the worst performing underlying stock over the term of the securities. Under these circumstances, the payment at maturity will be less than 60% of the stated principal amount of the securities and could be zero. **Accordingly, investors in the securities must be willing to accept the risk of losing their entire initial investment.**



Morgan Stanley Finance LLC

Contingent Income Auto-Callable Securities due July 16, 2021, With 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Common Stock of Costco Wholesale Corporation and the Common Stock of Ulta Beauty, Inc.

#### Principal at Risk Securities

The original issue price of each security is \$1,000. This price includes costs associated with issuing, selling, structuring and hedging the securities, which are borne by you, and, consequently, the estimated value of the securities on the pricing date will be less than \$1,000. We estimate that the value of each security on the pricing date will be approximately \$967.00, or within \$15.00 of that estimate. Our estimate of the value of the securities as determined on the pricing date will be set forth in the final pricing supplement.

#### *What goes into the estimated value on the pricing date?*

In valuing the securities on the pricing date, we take into account that the securities comprise both a debt component and a performance-based component linked to the underlying stocks. The estimated value of the securities is determined using our own pricing and valuation models, market inputs and assumptions relating to the underlying stocks, instruments based on the underlying stocks, volatility and other factors including current and expected interest rates, as well as an interest rate related to our secondary market credit spread, which is the implied interest rate at which our conventional fixed rate debt trades in the secondary market.

#### *What determines the economic terms of the securities?*

In determining the economic terms of the securities, including the contingent quarterly coupon rate and the downside threshold levels, we use an internal funding rate, which is likely to be lower than our secondary market credit spreads and therefore advantageous to us. If the issuing, selling, structuring and hedging costs borne by you were lower or if the internal funding rate were higher, one or more terms of the securities would be more favorable to you.

#### *What is the relationship between the estimated value on the pricing date and the secondary market price of the securities?*

The price at which MS & Co. purchases the securities in the secondary market, absent changes in market conditions, including those related to the underlying stocks, may vary from, and be lower than, the estimated value on the pricing date, because the secondary market price takes into account our secondary market credit spread as well as the bid-offer spread that MS & Co. would charge in a secondary market transaction of this type and other factors. However, because the costs associated with issuing, selling, structuring and hedging the securities are not fully deducted upon issuance, for a period of up to 6 months following the issue date, to the extent that MS & Co. may buy or sell the securities in the secondary market, absent changes in market conditions, including those related to the

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underlying stocks, and to our secondary market credit spreads, it would do so based on values higher than the estimated value. We expect that those higher values will also be reflected in your brokerage account statements.

MS & Co. may, but is not obligated to, make a market in the securities, and, if it once chooses to make a market, may cease doing so at any time.

July 2018 Page 4

Morgan Stanley Finance LLC

Contingent Income Auto-Callable Securities due July 16, 2021, With 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Common Stock of Costco Wholesale Corporation and the Common Stock of Ulta Beauty, Inc.

Principal at Risk Securities

**Key Investment Rationale**

The securities do not provide for the regular payment of interest. Instead, the securities will pay a contingent quarterly coupon **but only if** the determination closing price of **each underlying stock is at or above** its respective downside threshold level on the related observation date. The securities have been designed for investors who are willing to forgo market floating interest rates and risk the loss of principal and accept the risk of receiving few or no coupon payments for the entire 3-year term of the securities in exchange for an opportunity to earn interest at a potentially above-market rate if both underlying stocks close at or above their respective downside threshold levels on each quarterly observation date, unless the securities are redeemed early. The following scenarios are for illustration purposes only to demonstrate how the coupon and the payment at maturity (if the securities have not previously been redeemed) are calculated, and do not attempt to demonstrate every situation that may occur. Accordingly, the securities may or may not be redeemed, the contingent coupon may be payable in none of, or some but not all of, the quarterly periods during the 3-year term of the securities, and the payment at maturity may be less than 60% of the stated principal amount of the securities and may be zero.

**Scenario 1: The securities are redeemed prior to maturity**

This scenario assumes that, prior to early redemption, both underlying stocks close at or above their respective downside threshold levels on some quarterly observation dates, but one or both underlying stocks close below the respective downside threshold level(s) on the others. Investors receive the contingent quarterly coupon for the quarterly periods for which the determination closing prices of both underlying stocks are at or above their respective downside threshold levels on the related observation date, but not for the quarterly periods for which the determination closing price(s) of one or both underlying stocks are below the respective downside threshold level(s) on the related observation date.

**Scenario 2: The securities are not redeemed prior to maturity, and investors receive principal back at maturity**

When both underlying stocks close at or above their respective initial share prices on a quarterly redemption determination date (beginning after six months), the securities will be automatically redeemed for the stated principal amount *plus* the contingent quarterly coupon with respect to the related observation date.

This scenario assumes that both underlying stocks close at or above their respective downside threshold levels on some quarterly observation dates, but one of both underlying stocks close below the respective downside threshold level(s) on the others, and at least one of the underlying stocks closes below its initial share price on every quarterly redemption determination date. Consequently, the securities are not redeemed early, and investors receive the contingent quarterly coupon for the quarterly periods for which the determination closing prices of both underlying stocks are at or above their respective downside threshold levels on the related observation date, but not for the quarterly periods for which the determination closing price(s) of one or both underlying stocks are below the respective downside threshold level(s) on the related observation date. On the final observation date, both underlying stocks close at or above their

respective downside threshold levels. At maturity, in addition to the contingent quarterly coupon with respect to the final observation date, investors will receive the stated principal amount.

Morgan Stanley Finance LLC

Contingent Income Auto-Callable Securities due July 16, 2021, With 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Common Stock of Costco Wholesale Corporation and the Common Stock of Ulta Beauty, Inc.

Principal at Risk Securities

**Scenario 3: The securities are not redeemed prior to maturity, and investors suffer a substantial loss of principal at maturity**

This scenario assumes that both underlying stocks close at or above their respective downside threshold levels on some quarterly observation dates, but one or both underlying stocks close below the respective downside threshold level(s) on the others, and at least one of the underlying stocks closes below its initial share prices on every quarterly redemption determination date. Consequently, the securities are not redeemed early, and investors receive the contingent quarterly coupon for the quarterly periods for which the determination closing prices of both underlying stocks are greater than or equal to their respective downside threshold levels on the related observation date, but not for the quarterly periods for which the determination closing price(s) of one or both underlying stocks are below the respective downside threshold level(s) on the related observation date. On the final observation date, one or both underlying stocks close below the respective downside threshold level(s). At maturity, investors will receive an amount equal to the stated principal amount multiplied by the share performance factor of the worst performing underlying stock. Under these circumstances, the payment at maturity will be less than 60% of the stated principal amount and could be zero. No coupon will be paid at maturity in this scenario.

July 2018 Page 6

Morgan Stanley Finance LLC

Contingent Income Auto-Callable Securities due July 16, 2021, With 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Common Stock of Costco Wholesale Corporation and the Common Stock of Ulta Beauty, Inc.

Principal at Risk Securities

How the Securities Work

The following diagrams illustrate the potential outcomes for the securities depending on (1) the determination closing prices on each quarterly observation date, (2) the determination closing prices on each quarterly redemption determination date and (3) the final share prices. Please see “Hypothetical Examples” below for an illustration of hypothetical payouts on the securities.

**Diagram #1: Contingent Quarterly Coupons (Beginning on the First Coupon Payment Date until Early Redemption or Maturity)**

**Diagram #2: Automatic Early Redemption (Starting in January 2019)**

July 2018 Page 7

Morgan Stanley Finance LLC

Contingent Income Auto-Callable Securities due July 16, 2021, With 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Common Stock of Costco Wholesale Corporation and the Common Stock of Ulta Beauty, Inc.

Principal at Risk Securities

**Diagram #3: Payment at Maturity if No Automatic Early Redemption Occurs**

*For more information about the payout upon an early redemption or at maturity in different hypothetical scenarios, see “Hypothetical Examples” below.*

July 2018 Page 8

Morgan Stanley Finance LLC

Contingent Income Auto-Callable Securities due July 16, 2021, With 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Common Stock of Costco Wholesale Corporation and the Common Stock of Ulta Beauty, Inc.

Principal at Risk Securities

Hypothetical Examples

The following hypothetical examples illustrate how to determine whether a contingent quarterly coupon is paid with respect to an observation date and how to calculate the payment at maturity, if any, assuming the securities are not redeemed prior to maturity. The following examples are for illustrative purposes only. Whether you receive a contingent quarterly coupon will be determined by reference to the determination closing price of each underlying stock on each quarterly observation date, and the amount you will receive at maturity, if any, will be determined by reference to the final share price of each underlying stock on the final observation date. The actual initial share price and downside threshold level for each underlying stock will be determined on the pricing date. All payments on the securities, if any, are subject to our credit risk. The below examples are based on the following terms:

8.45% per annum (corresponding to approximately \$21.125 per quarter per security)<sup>1</sup>

Contingent Quarterly Coupon:

**With respect to each coupon payment date, a contingent quarterly coupon is paid but only if the determination closing price of each underlying stock is at or above its respective downside threshold level on the related observation date.**

If the final share price of **each** underlying stock is **greater than or equal to** its respective downside threshold level: the stated principal amount and the contingent quarterly coupon with respect to the final observation date

Payment at Maturity (if the securities are not redeemed prior to maturity):

If the final share price of **either** underlying stock is **less than** its respective downside threshold level: (i) the stated principal amount *multiplied by* (ii) the share performance factor of the worst performing underlying stock

Stated Principal Amount:

\$1,000

With respect to the COST Stock: \$210.00

Hypothetical Initial Share Price:

With respect to the ULTA Stock: \$250.00

With respect to the COST Stock: \$126.00, which is 60% of its hypothetical initial share price

Hypothetical Downside Threshold Level:

With respect to the ULTA Stock: \$150.00, which is 60% of its hypothetical initial share price



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<sup>1</sup> The actual contingent quarterly coupon will be an amount determined by the calculation agent based on the number of days in the applicable payment period, calculated on a 30/360 day count basis. The hypothetical contingent quarterly coupon of \$21.125 is used in these examples for ease of analysis.

How to determine whether a contingent quarterly coupon is payable with respect to an observation date:

	Determination Closing Price		Hypothetical Contingent Quarterly Coupon
	COST Stock	ULTA Stock	
Hypothetical Observation Date 1	\$155.00 ( <b>at or above</b> its downside threshold level)	\$215.00 ( <b>at or above</b> its downside threshold level)	\$21.125
Hypothetical Observation Date 2	\$96.00 ( <b>below</b> its downside threshold level)	\$185.00 ( <b>at or above</b> its downside threshold level)	\$0
Hypothetical Observation Date 3	\$165.00 ( <b>at or above</b> its downside threshold level)	\$110.00 ( <b>below</b> its downside threshold level)	\$0
Hypothetical Observation Date 4	\$80.00 ( <b>below</b> its downside threshold level)	\$115.00 ( <b>below</b> its downside threshold level)	\$0

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Contingent Income Auto-Callable Securities due July 16, 2021, With 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Common Stock of Costco Wholesale Corporation and the Common Stock of Ulta Beauty, Inc.

### Principal at Risk Securities

On hypothetical observation date 1, both the COST Stock and ULTA Stock close at or above their respective downside threshold levels. Therefore, a hypothetical contingent quarterly coupon of \$21.125 is paid on the relevant coupon payment date.

On each of hypothetical observation dates 2 and 3, one underlying stock closes at or above its downside threshold level but the other underlying stock closes below its downside threshold level. Therefore, no contingent quarterly coupon is paid on the relevant coupon payment date.

On hypothetical observation date 4, each underlying stock closes below its respective downside threshold level and accordingly no contingent quarterly coupon is paid on the relevant coupon payment date.

**You will not receive a contingent quarterly coupon on any coupon payment date if the determination closing price of either underlying stock is below its respective downside threshold level on the related observation date.**

How to calculate the payment at maturity:

In the following examples, one or both underlying stocks close below the respective initial share price(s) on each redemption determination date, and, consequently, the securities are not automatically redeemed prior to, and remain outstanding until, maturity.

	Final Share Price COST Stock	ULTA Stock	Payment at Maturity
Example 1:	\$285.00 ( <b>at or above</b> its downside threshold level)	\$330.00 ( <b>at or above</b> its downside threshold level)	\$1,021.125 (the stated principal amount <i>plus</i> the contingent quarterly coupon with respect to the final observation date)
Example 2:	\$94.50 ( <b>below</b> its downside threshold level)	\$290.00 ( <b>at or above</b> its initial share price)	$\$1,000 \times \text{share performance factor of the worst performing underlying stock} = \$1,000 \times (\$94.50 / \$210.00) = \$450.00$
Example 3:	\$176.00 ( <b>at or above</b> its downside threshold level)	\$100.00 ( <b>below</b> its downside threshold level)	$\$1,000 \times (\$100.00 / \$250.00) = \$400.00$
Example 4:	\$84.00 ( <b>below</b> its downside threshold level)	\$87.50 ( <b>below</b> its downside threshold level)	$\$1,000 \times (\$87.50 / \$250.00) = \$350.00$

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Example 5: \$63.00 (**below** its downside threshold level) \$87.50 (**below** its downside threshold level) \$1,000 x (\$63.00 / \$210.00 = \$300.00

In example 1, the final share prices of both the COST Stock and ULTA Stock are at or above their respective downside threshold levels. Therefore, investors receive at maturity the stated principal amount of the securities and the hypothetical contingent quarterly coupon with respect to the final observation date. However, investors do not participate in any appreciation of either underlying stock.

In example 2, the final share price of one underlying stock is above its initial share price, but the final share price of the other underlying stock is below its downside threshold level. Therefore, investors are exposed to the downside performance of the worst performing underlying stock at maturity and receive an amount equal to the stated principal amount *times* the share performance factor of the worst performing underlying stock.

In example 3, the final share price of one underlying stock is at or above its downside threshold level, but the final share price of the other underlying stock is below its downside threshold level. Therefore, investors are exposed to the downside performance of the worst performing underlying stock at maturity and receive at maturity an amount equal to the stated principal amount *times* the share performance factor of the worst performing underlying stock.

In examples 4 and 5, the final share prices of both underlying stocks are below their respective downside threshold levels, and investors receive at maturity an amount equal to the stated principal amount *times* the share performance factor of the worst performing underlying stock. In example 4, the COST Stock has declined 60% from its initial share price to its final share price,

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Contingent Income Auto-Callable Securities due July 16, 2021, With 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Common Stock of Costco Wholesale Corporation and the Common Stock of Ulta Beauty, Inc.

Principal at Risk Securities

while the ULTA Stock has declined 65% from its initial share price to its final share price. Therefore, the payment at maturity equals the stated principal amount *times* the share performance factor of the ULTA Stock, which is the worst performing underlying stock in this example. In example 5, the COST Stock has declined 70% from its initial share price to its final share price, while the ULTA Stock has declined 65% from its initial share price. Therefore the payment at maturity equals the stated principal amount *times* the share performance factor of the COST Stock, which is the worst performing underlying stock in this example.

**If the final share price of EITHER underlying stock is below its respective downside threshold level, you will be exposed to the downside performance of the worst performing underlying stock at maturity, and your payment at maturity will be less than 60% of the stated principal amount per security and could be zero.**

Morgan Stanley Finance LLC

Contingent Income Auto-Callable Securities due July 16, 2021, With 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Common Stock of Costco Wholesale Corporation and the Common Stock of Ulta Beauty, Inc.

Principal at Risk Securities

Risk Factors

*The following is a list of certain key risk factors for investors in the securities. For further discussion of these and other risks, you should read the section entitled "Risk Factors" in the accompanying product supplement and prospectus. You should also consult with your investment, legal, tax, accounting and other advisers in connection with your investment in the securities.*

**The securities do not guarantee the return of any principal.** The terms of the securities differ from those of ordinary debt securities in that they do not guarantee the return of any of the principal amount at maturity. If the securities have not been automatically redeemed prior to maturity and if the final share price of either underlying stock is less than its downside threshold level of 60% of its initial share price, you will be exposed to the decline in § the closing price of the worst performing underlying stock, as compared to the initial share price, on a 1-to-1 basis, and you will receive for each security that you hold at maturity an amount equal to the stated principal amount *times* the share performance factor of the worst performing underlying stock. In this case, the payment at maturity will be less than 60% of the stated principal amount and could be zero. **You could lose up to your entire investment in the securities.**

**The securities do not provide for the regular payment of interest and may pay no interest over the entire term of the securities.** The terms of the securities differ from those of ordinary debt securities in that they do not provide for the regular payment of interest. Instead, the securities will pay a contingent quarterly coupon **but only if** the determination closing price of each underlying stock is **at or above** 60% of its respective initial share price, which we refer to as the respective downside threshold level, on the related observation date. If, on the other hand, the § determination closing price of **either** underlying stock is lower than its downside threshold level on the relevant observation date for any interest period, we will pay no coupon on the applicable coupon payment date. It is possible that the determination closing price of either underlying stock could remain below the respective downside threshold level for extended periods of time or even throughout the entire 3-year term of the securities so that you will receive few or no contingent quarterly coupons. If you do not earn sufficient contingent coupons over the term of the securities, the overall return on the securities may be less than the amount that would be paid on a conventional debt security of ours of comparable maturity.

§ **You are exposed to the price risk of both underlying stocks, with respect to both the contingent quarterly coupons, if any, and the payment at maturity, if any.** Your return on the securities is not linked to a basket consisting of both underlying stocks. Rather, it will be contingent upon the independent performance of each underlying stock. Unlike an instrument with a return linked to a basket of underlying assets, in which risk is mitigated and diversified among all the components of the basket, you will be exposed to the risks related to both underlying stocks. Poor performance by **either** underlying stock over the term of the securities may negatively affect your return and will not be offset or mitigated by any positive performance by the other underlying stock. To receive **any** contingent quarterly coupons, **both** underlying stocks must close at or above their respective downside

threshold levels on the applicable observation date. In addition, if **either** underlying stock has declined to below its respective downside threshold level as of the final observation date, you will be **fully exposed** to the decline in the worst performing underlying stock over the term of the securities on a 1-to-1 basis, even if the other underlying stock has appreciated. Under this scenario, the payment at maturity will be less than 60% of the stated principal amount and could be zero. Accordingly, your investment is subject to the price risk of both underlying stocks.

**The contingent coupon, if any, is based only on the determination closing prices of the underlying stocks on the related quarterly observation date at the end of the related interest period.** Whether the contingent coupon will be paid on any coupon payment date will be determined at the end of the relevant interest period based on the determination closing price of each underlying stock on the relevant quarterly observation date. As a result, you will § not know whether you will receive the contingent coupon on any coupon payment date until near the end of the relevant interest period. Moreover, because the contingent coupon is based solely on the price of each underlying stock on quarterly observation dates, if the determination closing price of either underlying stock on any observation date is below the respective downside threshold level, you will receive no coupon for the related interest period, even if the price(s) of one or both underlying stocks were higher on other days during that interest period.

Morgan Stanley Finance LLC

Contingent Income Auto-Callable Securities due July 16, 2021, With 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Common Stock of Costco Wholesale Corporation and the Common Stock of Ulta Beauty, Inc.

Principal at Risk Securities

**Investors will not participate in any appreciation in the price of either underlying stock.** Investors will not participate in any appreciation in the price of either underlying stock from its initial share price, and the return on the § securities will be limited to the contingent quarterly coupon, if any, that is paid with respect to each observation date on which both determination closing prices are greater than or equal to their respective downside threshold levels, if any.

**The market price will be influenced by many unpredictable factors.** Several factors, many of which are beyond our control, will influence the value of the securities in the secondary market and the price at which MS & Co. may be willing to purchase or sell the securities in the secondary market. We expect that generally the level of interest § rates available in the market and the prices of the underlying stocks on any day, including in relation to the respective downside threshold levels, will affect the value of the securities more than any other factors. Other factors that may influence the value of the securities include:

- o the trading price and volatility (frequency and magnitude of changes in value) of the underlying stocks,
- o whether the determination closing price of either underlying stock has been below its respective downside threshold level on any observation date,
- o dividend rates on the underlying stocks,
- o geopolitical conditions and economic, financial, political, regulatory or judicial events that affect the underlying § stocks and which may affect the prices of the underlying stocks,
- o the time remaining until the securities mature,
- o interest and yield rates in the market,
- o the availability of comparable instruments,
- o the occurrence of certain events affecting the underlying stock that may or may not require an adjustment to the § adjustment factor, and
- o any actual or anticipated changes in our credit ratings or credit spreads.

Some or all of these factors will influence the price that you will receive if you sell your securities prior to maturity. For example, you may have to sell your securities at a substantial discount from the stated principal amount of \$1,000 per security if the price of either underlying stock at the time of sale is near or below its downside threshold level or if market interest rates rise.

The price of either or both underlying stocks may be, and have recently been, volatile, and we can give you no assurance that the volatility will lessen. The prices of either or both the underlying stocks may decrease and be below the respective downside threshold level(s) on each observation date so that you will receive no return on your investment or receive a payment at maturity that is less than 60% of the stated principal amount. There can be no assurance that the determination closing prices of both underlying stocks will be at or above their respective downside threshold levels on any observation date so that you will receive a coupon payment on the securities for the applicable interest period or, with respect to the final observation date, so that you do not suffer a significant loss on your initial investment in the securities. See “Costco Wholesale Corporation Overview” and “Ulta Beauty, Inc. Overview” below.

**The securities are subject to our credit risk, and any actual or anticipated changes to our credit ratings or credit spreads may adversely affect the market value of the securities.** You are dependent on our ability to pay all amounts due on the securities on each coupon payment date, upon automatic redemption and at maturity and therefore you are subject to our credit risk. The securities are not guaranteed by any other entity. If we default on § our obligations under the securities, your investment would be at risk and you could lose some or all of your investment. As a result, the market value of the securities prior to maturity will be affected by changes in the market’s view of our creditworthiness. Any actual or anticipated decline in our credit ratings or increase in the credit spreads charged by the market for taking our credit risk is likely to adversely affect the market value of the securities.

**As a finance subsidiary, MSFL has no independent operations and will have no independent assets.** As a § finance subsidiary, MSFL has no independent operations beyond the issuance and administration of its securities and



Morgan Stanley Finance LLC

Contingent Income Auto-Callable Securities due July 16, 2021, With 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Common Stock of Costco Wholesale Corporation and the Common Stock of Ulta Beauty, Inc.

**Principal at Risk Securities**

will have no independent assets available for distributions to holders of MSFL securities if they make claims in respect of such securities in a bankruptcy, resolution or similar proceeding. Accordingly, any recoveries by such holders will be limited to those available under the related guarantee by Morgan Stanley and that guarantee will rank *pari passu* with all other unsecured, unsubordinated obligations of Morgan Stanley. Holders will have recourse only to a single claim against Morgan Stanley and its assets under the guarantee. Holders of securities issued by MSFL should accordingly assume that in any such proceedings they would not have any priority over and should be treated *pari passu* with the claims of other unsecured, unsubordinated creditors of Morgan Stanley, including holders of Morgan Stanley-issued securities.

**Reinvestment risk.** The term of your investment in the securities may be shortened due to the automatic early redemption feature of the securities. If the securities are redeemed prior to maturity, you will receive no more § contingent quarterly coupons and may be forced to invest in a lower interest rate environment and may not be able to reinvest at comparable terms or returns. However, under no circumstances will the securities be redeemed in the first six months of the term of the securities.

**Investing in the securities is not equivalent to investing in the common stock of Costco Wholesale Corporation or the common stock of Ulta Beauty, Inc.** Investors in the securities will not participate in any appreciation in the § underlying stocks, and will not have voting rights or rights to receive dividends or other distributions or any other rights with respect to the underlying stocks.

**No affiliation with Costco Wholesale Corporation or Ulta Beauty, Inc.** Costco Wholesale Corporation and Ulta Beauty, Inc. are not affiliates of ours, are not involved with this offering in any way, and have no obligation to § consider your interests in taking any corporate actions that might affect the value of the securities. We have not made any due diligence inquiry with respect to Costco Wholesale Corporation or Ulta Beauty, Inc. in connection with this offering.

**We may engage in business with or involving Costco Wholesale Corporation or Ulta Beauty, Inc. without regard to your interests.** We or our affiliates may presently or from time to time engage in business with Costco Wholesale Corporation or Ulta Beauty, Inc. without regard to your interests and thus may acquire non-public § information about Costco Wholesale Corporation or Ulta Beauty, Inc. Neither we nor any of our affiliates undertakes to disclose any such information to you. In addition, we or our affiliates from time to time have published and in the future may publish research reports with respect to Costco Wholesale Corporation or Ulta Beauty, Inc., which may or may not recommend that investors buy or hold the underlying stock(s).

§ **The antidilution adjustments the calculation agent is required to make do not cover every corporate event that could affect the underlying stocks.** MS & Co., as calculation agent, will adjust the adjustment factors for certain corporate events affecting the underlying stocks, such as stock splits and stock dividends, and certain other corporate actions involving the issuers of the underlying stocks, such as mergers. However, the calculation agent

will not make an adjustment for every corporate event that can affect the underlying stocks. For example, the calculation agent is not required to make any adjustments if the issuers of the underlying stocks or anyone else makes a partial tender or partial exchange offer for the underlying stocks, nor will adjustments be made following the final observation date. If an event occurs that does not require the calculation agent to adjust the adjustment factors, the market price of the securities may be materially and adversely affected.

**The securities will not be listed on any securities exchange and secondary trading may be limited, and accordingly, you should be willing to hold your securities for the entire 3-year term of the securities.** The securities will not be listed on any securities exchange. Therefore, there may be little or no secondary market for the securities. MS & Co. may, but is not obligated to, make a market in the securities and, if it once chooses to make a market, may cease doing so at any time. When it does make a market, it will generally do so for transactions of routine secondary market size at prices based on its estimate of the current value of the securities, taking into account § its bid/offer spread, our credit spreads, market volatility, the notional size of the proposed sale, the cost of unwinding any related hedging positions, the time remaining to maturity and the likelihood that it will be able to resell the securities. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the securities easily. Since other broker-dealers may not participate significantly in the secondary market for the securities, the price at which you may be able to trade your securities is likely to depend on the price, if any, at which MS & Co. is willing to transact.

Morgan Stanley Finance LLC

Contingent Income Auto-Callable Securities due July 16, 2021, With 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Common Stock of Costco Wholesale Corporation and the Common Stock of Ulta Beauty, Inc.

Principal at Risk Securities

If, at any time, MS & Co. were to cease making a market in the securities, it is likely that there would be no secondary market for the securities. Accordingly, you should be willing to hold your securities to maturity.

**The rate we are willing to pay for securities of this type, maturity and issuance size is likely to be lower than the rate implied by our secondary market credit spreads and advantageous to us. Both the lower rate and the inclusion of costs associated with issuing, selling, structuring and hedging the securities in the original issue price reduce the economic terms of the securities, cause the estimated value of the securities to be less than the original issue price and will adversely affect secondary market prices.** Assuming no change in market § conditions or any other relevant factors, the prices, if any, at which dealers, including MS & Co., may be willing to purchase the securities in secondary market transactions will likely be significantly lower than the original issue price, because secondary market prices will exclude the issuing, selling, structuring and hedging-related costs that are included in the original issue price and borne by you and because the secondary market prices will reflect our secondary market credit spreads and the bid-offer spread that any dealer would charge in a secondary market transaction of this type as well as other factors.

The inclusion of the costs of issuing, selling, structuring and hedging the securities in the original issue price and the lower rate we are willing to pay as issuer make the economic terms of the securities less favorable to you than they otherwise would be.

However, because the costs associated with issuing, selling, structuring and hedging the securities are not fully deducted upon issuance, for a period of up to 6 months following the issue date, to the extent that MS & Co. may buy or sell the securities in the secondary market, absent changes in market conditions, including those related to the underlying stocks, and to our secondary market credit spreads, it would do so based on values higher than the estimated value, and we expect that those higher values will also be reflected in your brokerage account statements.

**The estimated value of the securities is determined by reference to our pricing and valuation models, which may differ from those of other dealers and is not a maximum or minimum secondary market price.** These pricing and valuation models are proprietary and rely in part on subjective views of certain market inputs and certain assumptions about future events, which may prove to be incorrect. As a result, because there is no market-standard way to value these types of securities, our models may yield a higher estimated value of the securities than those § generated by others, including other dealers in the market, if they attempted to value the securities. In addition, the estimated value on the pricing date does not represent a minimum or maximum price at which dealers, including MS & Co., would be willing to purchase your securities in the secondary market (if any exists) at any time. The value of your securities at any time after the date of this document will vary based on many factors that cannot be predicted with accuracy, including our creditworthiness and changes in market conditions. See also “The market price will be influenced by many unpredictable factors” above.

**Hedging and trading activity by our affiliates could potentially affect the value of the securities.** One or more of our affiliates and/or third-party dealers expect to carry out hedging activities related to the securities (and to other instruments linked to the underlying stocks), including trading in the underlying stocks. Some of our affiliates also trade the underlying stocks and other financial instruments related to the underlying stocks on a regular basis as part of their general broker-dealer and other businesses. As a result, these entities may be unwinding or adjusting hedge positions during the term of the securities, and the hedging strategy may involve greater and more frequent dynamic adjustments to the hedge as the final observation date approaches. Any of these hedging or trading activities on or prior to the pricing date could potentially increase the initial share price of an underlying stock, and, therefore, could § increase (i) the value at or above which such underlying stock must close on the redemption determination dates so that the securities are redeemed prior to maturity for the early redemption payment (depending also on the performance of the other underlying stock) and (ii) the downside threshold level for such underlying stock, which is the value at or above which the underlying stock must close on the observation dates so that you receive a contingent quarterly coupon on the securities (depending also on the performance of the other underlying stock), and, with respect to the final observation date, so that you are not exposed to the negative performance of the worst performing underlying stock at maturity (depending also on the performance of the other underlying stock). Additionally, such hedging or trading activities during the term of the securities could potentially affect the value of either underlying stock on the redemption

Morgan Stanley Finance LLC

Contingent Income Auto-Callable Securities due July 16, 2021, With 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Common Stock of Costco Wholesale Corporation and the Common Stock of Ulta Beauty, Inc.

Principal at Risk Securities

determination dates and the observation dates, and, accordingly, whether we redeem the securities prior to maturity, whether we pay a contingent quarterly coupon on the securities and the amount of cash you will receive at maturity, if any (depending also on the performance of the other underlying stock).

**The calculation agent, which is a subsidiary of Morgan Stanley and an affiliate of MSFL, will make determinations with respect to the securities.** As calculation agent, MS & Co. will determine the initial share prices, the downside threshold levels, the final share prices, the payment at maturity, if any, whether you receive a contingent quarterly coupon on each coupon payment date and/or at maturity, whether the securities will be redeemed on any early redemption date, whether a market disruption event has occurred and whether to make any adjustments to the adjustment factors. Moreover, certain determinations made by MS & Co., in its capacity as § calculation agent, may require it to exercise discretion and make subjective judgments, such as with respect to the occurrence or non-occurrence of market disruption events and certain adjustments to the adjustment factors. These potentially subjective determinations may affect the payout to you upon an automatic early redemption or at maturity, if any. For further information regarding these types of determinations, see “Description of Auto-Callable Securities—Auto-Callable Securities Linked to Underlying Shares” and “—Calculation Agent and Calculations” and related definitions in the accompanying product supplement. In addition, MS & Co. has determined the estimated value of the securities on the pricing date.

**The U.S. federal income tax consequences of an investment in the securities are uncertain.** There is no direct § legal authority as to the proper treatment of the securities for U.S. federal income tax purposes, and, therefore, significant aspects of the tax treatment of the securities are uncertain.

Please read the discussion under “Additional Provisions—Tax considerations” in this document concerning the U.S. federal income tax consequences of an investment in the securities. We intend to treat a security for U.S. federal income tax purposes as a single financial contract that provides for a coupon that will be treated as gross income to you at the time received or accrued, in accordance with your regular method of tax accounting. Under this treatment, the ordinary income treatment of the coupon payments, in conjunction with the capital loss treatment of any loss recognized upon the sale, exchange or settlement of the securities, could result in adverse tax consequences to holders of the securities because the deductibility of capital losses is subject to limitations. We do not plan to request a ruling from the Internal Revenue Service (the “IRS”) regarding the tax treatment of the securities, and the IRS or a court may not agree with the tax treatment described herein. If the IRS were successful in asserting an alternative treatment for the securities, the timing and character of income or loss on the securities might differ significantly from the tax treatment described herein. For example, under one possible treatment, the IRS could seek to recharacterize the securities as debt instruments. In that event, U.S. Holders (as defined below) would be required to accrue into income original issue discount on the securities every year at a “comparable yield” determined at the time of issuance (as adjusted based on the difference, if any, between the actual and the projected amount of any contingent payments on the securities) and recognize all income and gain in respect of the securities as ordinary income. The risk that financial instruments providing for buffers, triggers or similar downside protection features, such as the securities, would be recharacterized as debt is greater than the risk of recharacterization for comparable financial instruments that do not have such features.

**Non-U.S. Holders (as defined below) should note that we currently intend to withhold on any coupon paid to Non-U.S. Holders generally at a rate of 30%, or at a reduced rate specified by an applicable income tax treaty under an “other income” or similar provision, and will not be required to pay any additional amounts with respect to amounts withheld.**

In 2007, the U.S. Treasury Department and the IRS released a notice requesting comments on the U.S. federal income tax treatment of “prepaid forward contracts” and similar instruments. While it is not clear whether the securities would be viewed as similar to the prepaid forward contracts described in the notice, it is possible that any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the securities, possibly with retroactive effect. The notice focuses on a number of issues, the most relevant of which for holders of the securities are the character and timing of income or loss and the degree, if any, to which income realized by non-U.S. investors should be subject to withholding tax. Both U.S. and Non-

July 2018 Page 16

Morgan Stanley Finance LLC

Contingent Income Auto-Callable Securities due July 16, 2021, With 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Common Stock of Costco Wholesale Corporation and the Common Stock of Ulta Beauty, Inc.

Principal at Risk Securities

U.S. Holders should consult their tax advisers regarding the U.S. federal income tax consequences of an investment in the securities, including possible alternative treatments, the issues presented by this notice and any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

July 2018 Page 17

Morgan Stanley Finance LLC

Contingent Income Auto-Callable Securities due July 16, 2021, With 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Common Stock of Costco Wholesale Corporation and the Common Stock of Ulta Beauty, Inc.

Principal at Risk Securities

Costco Wholesale Corporation Overview

Costco Wholesale Corporation operates a chain of membership warehouses that offer limited selection of nationally branded and private-label products. The COST Stock is registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Information provided to or filed with the Securities and Exchange Commission by Costco Wholesale Corporation pursuant to the Exchange Act can be located by reference to the Securities and Exchange Commission file number 0-20355 through the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov). In addition, information regarding Costco Wholesale Corporation may be obtained from other publicly available sources. **Neither the issuer nor the agent makes any representation that any such publicly available information is accurate or complete.**

Information as of market close on July 11, 2018:

<b>Bloomberg Ticker Symbol:</b>	COST
<b>Exchange:</b>	Nasdaq
<b>Current Stock Price:</b>	\$210.95
<b>52 Weeks Ago:</b>	\$151.11
<b>52 Week High (on 6/25/2018):</b>	\$211.75
<b>52 Week Low (on 7/21/2017):</b>	\$150.44
<b>Current Dividend Yield:</b>	1.07%

The following table sets forth the published high and low closing prices of, as well as dividends on, the COST Stock for each quarter from January 1, 2015 through July 11, 2018. The closing price of the COST Stock on July 11, 2018 was \$210.95. The associated graph shows the closing prices of COST Stock for each day from January 1, 2013 through July 11, 2018. We obtained the information in the table and graph below from Bloomberg Financial Markets, without independent verification. The historical performance of the COST Stock should not be taken as an indication of its future performance, and no assurance can be given as to the price of the COST Stock at any time, including the redemption determination dates or the observation dates.

**Common Stock of Costco Wholesale Corporation (CUSIP 22160K105) High (\$) Low (\$) Dividends (\$)**  
**2015**

First Quarter	155.92	139.14	0.355
Second Quarter	152.50	135.06	0.40
Third Quarter	146.89	132.71	0.40
Fourth Quarter	168.87	144.56	0.40



**2016**

First Quarter	159.93	143.28	0.40
Second Quarter	158.25	141.29	0.45
Third Quarter	169.04	147.49	0.45
Fourth Quarter	163.86	142.24	0.45

**2017**

First Quarter	177.98	159.73	0.45
Second Quarter	182.45	157.13	0.50
Third Quarter	164.42	150.44	0.50
Fourth Quarter	192.73	154.61	0.50

**2018**

First Quarter	198.91	178.61	0.50
Second Quarter	211.75	182.61	0.57
Third Quarter (through July 11, 2018)	211.70	207.12	-

We make no representation as to the amount of dividends, if any, that Costco Wholesale Corporation may pay in the future. In any event, as an investor in the Contingent Income Auto-Callable Securities, you will not be entitled to receive dividends, if any, that may be payable on the common stock of Costco Wholesale Corporation.

Morgan Stanley Finance LLC

Contingent Income Auto-Callable Securities due July 16, 2021, With 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Common Stock of Costco Wholesale Corporation and the Common Stock of Ulta Beauty, Inc.

Principal at Risk Securities

**Common Stock of Costco Wholesale Corporation – Daily Closing Prices  
January 1, 2013 to July 11, 2018**

\* The red horizontal line indicates the hypothetical downside threshold level, assuming the closing price of the COST Stock on July 11, 2018 were the initial share price.

**This document relates only to the securities offered hereby and does not relate to the COST Stock or other securities of Costco Wholesale Corporation. We have derived all disclosures contained in this document regarding Costco Wholesale Corporation stock from the publicly available documents described above. In connection with the offering of the securities, neither we nor the agent has participated in the preparation of such documents or made any due diligence inquiry with respect to Costco Wholesale Corporation. Neither we nor the agent makes any representation that such publicly available documents or any other publicly available information regarding Costco Wholesale Corporation is accurate or complete. Furthermore, we cannot give any assurance that all events occurring prior to the date hereof (including events that would affect the accuracy or completeness of the publicly available documents described above) that would affect the trading price of the COST Stock (and therefore the price of the COST Stock at the time we price the securities) have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning Costco Wholesale Corporation could affect the value received with respect to the securities and therefore the value of the securities.**

**Neither the issuer nor any of its affiliates makes any representation to you as to the performance of the COST Stock.**

July 2018 Page 19

Morgan Stanley Finance LLC

Contingent Income Auto-Callable Securities due July 16, 2021, With 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Common Stock of Costco Wholesale Corporation and the Common Stock of Ulta Beauty, Inc.

Principal at Risk Securities

Ulta Beauty, Inc. Overview

Ulta Beauty, Inc. is a retailer of cosmetics, fragrance, skin care products, hair care products and salon services. The ULTA Stock is registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Information provided to or filed with the Securities and Exchange Commission by Ulta Beauty, Inc. pursuant to the Exchange Act can be located by reference to the Securities and Exchange Commission file number 001-33764 through the Securities and Exchange Commission’s website at [www.sec.gov](http://www.sec.gov). In addition, information regarding Ulta Beauty, Inc. may be obtained from other publicly available sources. **Neither the issuer nor the agent makes any representation that any such publicly available information is accurate or complete.**

Information as of market close on July 11, 2018:

<b>Bloomberg Ticker Symbol:</b>	ULTA
<b>Exchange:</b>	Nasdaq
<b>Current Stock Price:</b>	\$252.20
<b>52 Weeks Ago:</b>	\$255.98
<b>52 Week High (on 7/12/2017):</b>	\$261.86
<b>52 Week Low (on 10/12/2017):</b>	\$190.16
<b>Current Dividend Yield:</b>	N/A

The following table sets forth the published high and low closing prices of, as well as dividends on, the ULTA Stock for each quarter from January 1, 2015 through July 11, 2018. The closing price of the ULTA Stock on July 11, 2018 was \$252.20. The associated graph shows the closing prices of the ULTA Stock for each day from January 1, 2013 through July 11, 2018. We obtained the information in the table and graph below from Bloomberg Financial Markets, without independent verification. The historical performance of the ULTA Stock should not be taken as an indication of its future performance, and no assurance can be given as to the price of the ULTA Stock at any time, including the redemption determination dates or the observation dates.

<b>Common Stock of Ulta Beauty, Inc. (CUSIP 90384S303)</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Dividends (\$)</b>
<b>2015</b>			
First Quarter	153.77	126.84	-
Second Quarter	157.98	149.83	-
Third Quarter	173.32	153.26	-
Fourth Quarter	187.27	155.20	-
<b>2016</b>			

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First Quarter	194.11	150.07	-
Second Quarter	243.64	193.12	-
Third Quarter	275.89	232.99	-
Fourth Quarter	266.14	228.17	-
<b>2017</b>			
First Quarter	288.81	256.68	-
Second Quarter	313.73	277.99	-
Third Quarter	283.36	207.75	-
Fourth Quarter	228.57	190.16	-
<b>2018</b>			
First Quarter	245.12	194.00	-
Second Quarter	257.60	203.13	-
Third Quarter (through July 11, 2018)	254.61	232.54	-

We make no representation as to the amount of dividends, if any, that Ulta Beauty, Inc. may pay in the future. In any event, as an investor in the Contingent Income Auto-Callable Securities, you will not be entitled to receive dividends, if any, that may be payable on the common stock of Ulta Beauty, Inc.

Morgan Stanley Finance LLC

Contingent Income Auto-Callable Securities due July 16, 2021, With 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Common Stock of Costco Wholesale Corporation and the Common Stock of Ulta Beauty, Inc.

Principal at Risk Securities

**Common Stock of Ulta Beauty, Inc. – Daily Closing Prices  
January 1, 2013 to July 11, 2018**

\* The red horizontal line indicates the hypothetical downside threshold level, assuming the closing price of the ULTA Stock on July 11, 2018 were the initial share price.

**This document relates only to the securities offered hereby and does not relate to the ULTA Stock or other securities of Ulta Beauty, Inc. We have derived all disclosures contained in this document regarding Ulta Beauty, Inc. stock from the publicly available documents described above. In connection with the offering of the securities, neither we nor the agent has participated in the preparation of such documents or made any due diligence inquiry with respect to Ulta Beauty, Inc. Neither we nor the agent makes any representation that such publicly available documents or any other publicly available information regarding Ulta Beauty, Inc. is accurate or complete. Furthermore, we cannot give any assurance that all events occurring prior to the date hereof (including events that would affect the accuracy or completeness of the publicly available documents described above) that would affect the trading price of the ULTA Stock (and therefore the price of the ULTA Stock at the time we price the securities) have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning Ulta Beauty, Inc. could affect the value received with respect to the securities and therefore the value of the securities.**

**Neither the issuer nor any of its affiliates makes any representation to you as to the performance of the ULTA Stock.**

July 2018 Page 21

Morgan Stanley Finance LLC

Contingent Income Auto-Callable Securities due July 16, 2021, With 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Common Stock of Costco Wholesale Corporation and the Common Stock of Ulta Beauty, Inc.

Principal at Risk Securities

Additional Information About the Securities

Please read this information in conjunction with the summary terms on the front cover of this document.

**Additional Provisions:**

**Interest period:** Quarterly

The record date for each coupon payment date shall be the date one business day prior to such scheduled coupon payment date; *provided*, however, that any coupon payable at maturity (or

**Record date:**

upon early redemption) shall be payable to the person to whom the payment at maturity or early redemption payment, as the case may be, shall be payable.

**Underlying stock:** The accompanying product supplement refers to the underlying stock as the “underlying shares.” With respect to the COST Stock, Costco Wholesale Corporation

**Underlying stock issuer:** With respect to the ULTA Stock, Ulta Beauty, Inc.

The accompanying product supplement refers to the underlying stock issuer as the “underlying company.”

**Downside threshold level:**

The accompanying product supplement refers to the downside threshold level as the “trigger level.”

**Day count convention:**

30/360

**Postponement of coupon payment dates (including the maturity date) and early redemption dates:**

If any observation date or redemption determination date for any underlying stock is postponed due to a non-trading day or certain market disruption events with respect to such underlying stock so that it falls less than two business days prior to the relevant scheduled coupon payment date (including the maturity date) or early redemption date, as applicable, the coupon payment date (or the maturity date) or the early redemption date will be postponed to the second business day following that observation date or redemption determination date as postponed, and no adjustment will be made to any coupon payment, early redemption payment or payment at maturity made on that postponed date.

**Antidilution adjustments:**

*The following replaces in its entirety the portion of the section entitled “Antidilution Adjustments” in the accompanying product supplement for auto-callable securities from the start of paragraph 5 to the end of such section.*

5. If, with respect to either or both underlying stocks, (i) there occurs any reclassification or change of such underlying stock, including, without limitation, as a result of the issuance of any tracking stock by the underlying stock issuer for such underlying stock, (ii) such underlying stock issuer or any surviving entity or subsequent surviving entity of such underlying stock issuer (the “successor corporation”) has been subject to a merger, combination or consolidation and is not the

surviving entity, (iii) any statutory exchange of securities of such underlying stock issuer or any successor corporation with another corporation occurs (other than pursuant to clause (ii) above), (iv) such underlying stock issuer is liquidated, (v) such underlying stock issuer issues to all of its shareholders equity securities of an issuer other than such underlying stock issuer (other than in a transaction described in clause (ii), (iii) or (iv) above) (a “spin-off event”) or (vi) a tender or exchange offer or going-private transaction is consummated for all the outstanding shares of such underlying stock (any such event in clauses (i) through (vi), a “reorganization event”), the method of determining whether an early redemption has occurred and the amount payable upon an early redemption date or at maturity for each security will be as follows:

- Upon any redemption determination date following the effective date of a reorganization event and prior to the final observation date: If the exchange property value (as defined below) is greater than or equal to its initial share price, and the determination closing price (or exchange property value, if applicable) of the other underlying stock is also greater than or equal to its initial share price, the securities will be automatically redeemed for an early redemption payment.

- Upon the final observation date, if the securities have not previously been automatically redeemed: You will receive for each security that you hold a payment at maturity equal to:

Ø If the exchange property value on the final observation date is greater than or equal to the respective downside threshold level, and the final share price of the other underlying stock (or exchange property value, as applicable) is also greater than its

Morgan Stanley Finance LLC

Contingent Income Auto-Callable Securities due July 16, 2021, With 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Common Stock of Costco Wholesale Corporation and the Common Stock of Ulta Beauty, Inc.

Principal at Risk Securities

downside threshold level: *(i) the stated principal amount plus (ii) the contingent quarterly coupon with respect to the final observation date.*

Ø If the exchange property value on the final observation date is less than the respective downside threshold level, or if the final share price (or exchange property value, if applicable) of the other underlying stock is less than its downside threshold level:

Ø If the worst performing underlying stock has not undergone a reorganization event as described in paragraph 5 above: *(i) the stated principal amount multiplied by (ii) the share performance factor of the worst performing underlying stock.*

Ø If the worst performing underlying stock has undergone a reorganization event as described in paragraph 5 above: *(i) the stated principal amount multiplied by (ii) the share performance factor of the worst performing underlying stock. For purposes of calculating the share performance factor, the “final share price” of the worst performing underlying stock will be deemed to equal the cash value, determined as of the final observation date, of the securities, cash or any other assets distributed to holders of the worst performing underlying stock in or as a result of any such reorganization event, including (A) in the case of the issuance of tracking stock, the reclassified share of such worst performing underlying stock, (B) in the case of a spin-off event, the share of such worst performing underlying stock with respect to which the spun-off security was issued, and (C) in the case of any other reorganization event where such worst performing underlying stock continues to be held by the holders receiving such distribution, such worst performing underlying stock (collectively, the “exchange property”), per share of such worst performing underlying stock times the adjustment factor for such worst performing underlying stock on the final observation date.*

Following the effective date of a reorganization event, the contingent quarterly coupon will be payable for each observation date on which the exchange property value is greater than or equal to the downside threshold level and the determination closing price (or exchange property value, as applicable) of the other underlying stock is also greater than or equal to its downside threshold level.

If exchange property includes a cash component, investors will not receive any interest accrued on such cash component. In the event exchange property consists of securities, those securities will, in turn, be subject to the antidilution adjustments set forth in paragraphs 1 through 5.



For purposes of determining whether or not the exchange property value is less than the initial share price, or less than the downside threshold level, or for determining the worst performing underlying stock, “exchange property value” means (x) for any cash received in any reorganization event, the value, as determined by the calculation agent, as of the date of receipt, of such cash received for one share of such underlying stock, as adjusted by the adjustment factor at the time of such reorganization event, (y) for any property other than cash or securities received in any such reorganization event, the market value, as determined by the calculation agent in its sole discretion, as of the date of receipt, of such exchange property received for one share of such underlying stock, as adjusted by the adjustment factor at the time of such reorganization event and (z) for any security received in any such reorganization event, an amount equal to the determination closing price, as of the day on which the exchange property value is determined, per share of such security multiplied by the quantity of such security received for each share of such underlying stock, as adjusted by the adjustment factor at the time of such reorganization event.

For purposes of paragraph 5 above, in the case of a consummated tender or exchange offer or going-private transaction involving consideration of particular types, exchange property shall be deemed to include the amount of cash or other property delivered by the offeror in the tender or exchange offer (in an amount determined on the basis of the rate of exchange in such tender or exchange offer or going-private transaction). In the event of a tender or exchange offer or a going-private transaction with respect to exchange property in which an offeree may elect to receive cash or other property, exchange property shall be deemed to include the kind and amount of cash and other property received by offerees who elect to receive cash.

Following the occurrence of any reorganization event referred to in paragraph 5 above, all references in this offering document and in the related product supplement with respect to the

Morgan Stanley Finance LLC

Contingent Income Auto-Callable Securities due July 16, 2021, With 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Common Stock of Costco Wholesale Corporation and the Common Stock of Ulta Beauty, Inc.

Principal at Risk Securities

securities to such “underlying stock” shall be deemed to refer to the exchange property and references to a “share” or “shares” of such underlying stock shall be deemed to refer to the applicable unit or units of such exchange property, unless the context otherwise requires.

No adjustment to the adjustment factor will be required unless such adjustment would require a change of at least 0.1% in the adjustment factor then in effect. The adjustment factor resulting from any of the adjustments specified above will be rounded to the nearest one hundred-thousandth, with five one-millionths rounded upward. Adjustments to the adjustment factor will be made up to the close of business on the final observation date.

No adjustments to the adjustment factor or method of calculating the adjustment factor will be required other than those specified above. The adjustments specified above do not cover all events that could affect the determination closing price or the final share price of such underlying stock, including, without limitation, a partial tender or exchange offer for such underlying stock.

The calculation agent shall be solely responsible for the determination and calculation of any adjustments to the adjustment factor or method of calculating the adjustment factor and of any related determinations and calculations with respect to any distributions of stock, other securities or other property or assets (including cash) in connection with any corporate event described in paragraphs 1 through 5 above, and its determinations and calculations with respect thereto shall be conclusive in the absence of manifest error.

The calculation agent will provide information as to any adjustments to an adjustment factor or to the method of calculating the amount payable at maturity of the securities made pursuant to paragraph 5 above upon written request by any investor in the securities.

**Minimum  
ticketing size:**

\$1,000 / 1 security

**Tax  
considerations:**

**Prospective investors should note that the discussion under the section called “United States Federal Taxation” in the accompanying product supplement does not apply to the securities issued under this document and is superseded by the following discussion.**

The following is a general discussion of the material U.S. federal income tax consequences and certain estate tax consequences of the ownership and disposition of the securities. This discussion applies only to investors in the securities who:

- purchase the securities in the original offering; and
- hold the securities as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the “Code”).

This discussion does not describe all of the tax consequences that may be relevant to a holder in light of the holder’s particular circumstances or to holders subject to special rules, such as:

- certain financial institutions;
- insurance companies;
- certain dealers and traders in securities or commodities;
- investors holding the securities as part of a “straddle,” wash sale, conversion transaction, integrated transaction or constructive sale transaction;
- U.S. Holders (as defined below) whose functional currency is not the U.S. dollar;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes;
- regulated investment companies;
- real estate investment trusts; or
- tax-exempt entities, including “individual retirement accounts” or “Roth IRAs” as defined in Section 408 or 408A of the Code, respectively.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds the securities, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partnership holding the securities or a partner in such a partnership, you should consult your tax adviser as to the

Morgan Stanley Finance LLC

Contingent Income Auto-Callable Securities due July 16, 2021, With 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Common Stock of Costco Wholesale Corporation and the Common Stock of Ulta Beauty, Inc.

Principal at Risk Securities

particular U.S. federal tax consequences of holding and disposing of the securities to you.

As the law applicable to the U.S. federal income taxation of instruments such as the securities is technical and complex, the discussion below necessarily represents only a general summary. The effect of any applicable state, local or non-U.S. tax laws is not discussed, nor are any alternative minimum tax consequences or consequences resulting from the Medicare tax on investment income. Moreover, the discussion below does not address the consequences to taxpayers subject to special tax accounting rules under Section 451(b) of the Code.

This discussion is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as of the date hereof, changes to any of which subsequent to the date hereof may affect the tax consequences described herein. Persons considering the purchase of the securities should consult their tax advisers with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

## General

Due to the absence of statutory, judicial or administrative authorities that directly address the treatment of the securities or instruments that are similar to the securities for U.S. federal income tax purposes, no assurance can be given that the IRS or a court will agree with the tax treatment described herein. We intend to treat a security for U.S. federal income tax purposes as a single financial contract that provides for a coupon that will be treated as gross income to you at the time received or accrued in accordance with your regular method of tax accounting. In the opinion of our counsel, Davis Polk & Wardwell LLP, this treatment of the securities is reasonable under current law; however, our counsel has advised us that it is unable to conclude affirmatively that this treatment is more likely than not to be upheld, and that alternative treatments are possible.

**You should consult your tax adviser regarding all aspects of the U.S. federal tax consequences of an investment in the securities (including possible alternative treatments of the securities). Unless otherwise stated, the following discussion is based on the treatment of each security as described in the previous paragraph.**

## Tax Consequences to U.S. Holders

This section applies to you only if you are a U.S. Holder. As used herein, the term “U.S. Holder” means a beneficial owner of a security that is, for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
  
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state thereof or the District of Columbia; or
  
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

***Tax Treatment of the Securities***

Assuming the treatment of the securities as set forth above is respected, the following U.S. federal income tax consequences should result.

*Tax Basis.* A U.S. Holder’s tax basis in the securities should equal the amount paid by the U.S. Holder to acquire the securities.

*Tax Treatment of Coupon Payments.* Any coupon payment on the securities should be taxable as ordinary income to a U.S. Holder at the time received or accrued, in accordance with the U.S. Holder’s regular method of accounting for U.S. federal income tax purposes.

Morgan Stanley Finance LLC

Contingent Income Auto-Callable Securities due July 16, 2021, With 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Common Stock of Costco Wholesale Corporation and the Common Stock of Ulta Beauty, Inc.

#### Principal at Risk Securities

*Sale, Exchange or Settlement of the Securities.* Upon a sale, exchange or settlement of the securities, a U.S. Holder should recognize gain or loss equal to the difference between the amount realized on the sale, exchange or settlement and the U.S. Holder's tax basis in the securities sold, exchanged or settled. For this purpose, the amount realized does not include any coupon paid at settlement and may not include sale proceeds attributable to an accrued coupon, which may be treated as a coupon payment. Any such gain or loss recognized should be long-term capital gain or loss if the U.S. Holder has held the securities for more than one year at the time of the sale, exchange or settlement, and should be short-term capital gain or loss otherwise. The ordinary income treatment of the coupon payments, in conjunction with the capital loss treatment of any loss recognized upon the sale, exchange or settlement of the securities, could result in adverse tax consequences to holders of the securities because the deductibility of capital losses is subject to limitations.

#### *Possible Alternative Tax Treatments of an Investment in the Securities*

Due to the absence of authorities that directly address the proper tax treatment of the securities, no assurance can be given that the IRS will accept, or that a court will uphold, the treatment described above. In particular, the IRS could seek to analyze the U.S. federal income tax consequences of owning the securities under Treasury regulations governing contingent payment debt instruments (the "Contingent Debt Regulations"). If the IRS were successful in asserting that the Contingent Debt Regulations applied to the securities, the timing and character of income thereon would be significantly affected. Among other things, a U.S. Holder would be required to accrue into income original issue discount on the securities every year at a "comparable yield" determined at the time of their issuance, adjusted upward or downward to reflect the difference, if any, between the actual and the projected amount of any contingent payments on the securities. Furthermore, any gain realized by a U.S. Holder at maturity or upon a sale, exchange or other disposition of the securities would be treated as ordinary income, and any loss realized would be treated as ordinary loss to the extent of the U.S. Holder's prior accruals of original issue discount and as capital loss thereafter. The risk that financial instruments providing for buffers, triggers or similar downside protection features, such as the securities, would be recharacterized as debt is greater than the risk of recharacterization for comparable financial instruments that do not have such features.

Other alternative federal income tax treatments of the securities are possible, which, if applied, could significantly affect the timing and character of the income or loss with respect to the securities. In 2007, the U.S. Treasury Department and the IRS released a notice requesting comments on the U.S. federal income tax treatment of "prepaid forward contracts" and similar instruments. The notice focuses on whether to require holders of "prepaid forward contracts" and similar instruments to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; whether short-term instruments should be subject to any such accrual regime; the relevance of factors such as the exchange-traded status of the instruments and the nature of the underlying property to which the instruments are linked; whether these instruments are or should be subject to the "constructive ownership" rule, which very generally can operate to recharacterize certain long-term capital gain as ordinary income and impose an interest charge; and

appropriate transition rules and effective dates. While it is not clear whether instruments such as the securities would be viewed as similar to the prepaid forward contracts described in the notice, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the securities, possibly with retroactive effect. U.S. Holders should consult their tax advisers regarding the U.S. federal income tax consequences of an investment in the securities, including possible alternative treatments and the issues presented by this notice.

***Backup Withholding and Information Reporting***

Backup withholding may apply in respect of payments on the securities and the payment of proceeds from a sale, exchange or other disposition of the securities, unless a U.S. Holder provides proof of an applicable exemption or a correct taxpayer identification number and otherwise complies with applicable requirements of the backup withholding rules. The amounts withheld under the backup withholding rules are not an additional tax and may be refunded, or credited against the U.S. Holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. In addition, information returns will be

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