

## Structured Products

### 3 YEAR CZK WORST OF PHOENIX AUTOCALLABLE NOTE LINKED TO BASKET OF SHARES

#### Indicative Terms and Conditions

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (AS AMENDED) AND ARE SUBJECT TO U.S. TAX REQUIREMENTS. THE SECURITIES MAY NOT BE OFFERED, SOLD OR DELIVERED AT ANY TIME, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON.

THE SECURITIES ARE NOT BANK DEPOSITS AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY, NOR ARE THEY OBLIGATIONS OF, OR GUARANTEED BY, A BANK. THE SECURITIES ARE NOT RATED

THESE SECURITIES ARE FOR DISTRIBUTION BY WAY OF PUBLIC OFFER IN THE CZECH REPUBLIC ONLY - SEE SELLING RESTRICTIONS AND IMPORTANT INFORMATION AT THE END OF THIS MATERIAL FOR FULL DETAILS.

This Term Sheet is a summary of the terms of the Securities. The terms and conditions will be set out in the Final Terms which must be read in conjunction with the Base Prospectus dated 16 December 2013, as supplemented on 25 April 2014 and 30 May 2014. Copies of the Final Terms and the Base Prospectus are available from the Issuer and the Dealer. Terms used but not defined herein are as defined in the Base Prospectus.

#### PRODUCT DESCRIPTION

The Securities are senior, unsecured obligations of the Issuer and the Guarantor and all payments, including the repayment of principal, are subject to the credit risk of the Issuer. The Securities are not principal protected. The Securities are issued in CZK and pay a pre-defined cash coupon on the relevant Interest Payment Date(s) minus the amount of coupons previously paid, if the Lowest Performing Underlying is greater than the specified Coupon Barrier Level on the relevant Interest Determination Date.

If, on any of the observation dates, the Lowest Performing Underlying is equal to or above the Early Redemption Level, the Securities will automatically terminate and the investor will receive the Early Redemption Amount.

The Final Redemption Amount payable at maturity will depend on the performance of the Lowest Performing Underlying. If the price of the Lowest Performing Underlying on the Determination Date is greater than the Barrier Level, the Securities will return a cash amount equal to 100% of Par. Otherwise, the investor will receive a cash amount equal to the performance of the Lowest Performing Underlying calculated as the Final Reference Level divided by the Initial Reference Level.

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PRODUCT DETAILS:		DATES:	
Type	Note	Trade Date	TBD
Issue Price	100%	Strike Date	25 Jul 2014
Principal	Up to CZK 200,000,000	Issue Date	25 Jul 2014
Settlement Currency	CZK	Determination Date	25 Jul 2017
Denomination (Par)	CZK 30,000	Maturity Date	01 Aug 2017
ISIN	XS1075379534	Subscription Period	13 Jun 2014 – 23 Jul 2014
WKN			
Valoren			

UNDERLYING:						
i	Name	BBG Code	Underlying Currency	Underlying Type	Initial Reference Price (i)	Barrier Level(i) as % of Initial Reference Price(i)
1	SANOFI	SAN FP	EUR	STOCK	Official Closing Price (i) on Strike Date	65%
2	SAP AG	SAP GY	EUR	STOCK	Official Closing Price (i) on Strike Date	65%
3	VODAFONE	VOD LN	GBP	STOCK	Official Closing Price (i) on Strike Date	65%
4	FREEPORT – MCMORAN	FCX UN	USD	STOCK	Official Closing Price (i) on Strike Date	65%
5	GOOGLE INC	GOOGL UQ	USD	STOCK	Official Closing Price (i) on Strike Date	65%
6	TEVA PHARMACEUTICAL	TEVA UN	USD	STOCK	Official Closing Price (i) on Strike Date	65%
7	TIFFANY & CO	TIF UN	USD	STOCK	Official Closing Price (i) on Strike Date	65%

GENERAL INFORMATION:	
Issuer	MORGAN STANLEY BV
Guarantor	Morgan Stanley
Guarantor Rating	A- (S&P), Baa2 (Moody's), A (Fitch)
Dealer	Morgan Stanley & Co International Plc
Distributor/Sales Intermediary	LEONTEQ-ZURICH
Issuing and Paying Agent	Bank of New York Mellon, One Canada Square, London, E14 5AL, United Kingdom

COUPON	
Coupon Payout	<p>Until an Early Redemption Event occurs, on an Interest Determination Date <math>j</math>, an amount, paid on the relevant Interest Payment Date <math>j</math>, equal to:</p> <p>(i) If the official closing price of all Underlyings(i) are above the relevant Coupon Barrier(j),  <math>\text{Par} \times [\text{Coupon} \times j] - \text{Previously Paid Coupons}</math></p> <p>(ii) Else, 0% of Par</p> <p>Where: Previously Paid Coupons means, in respect of an Interest Payment Date, the aggregate amount of all coupons (if any) paid on each Interest Payment Date preceding such Interest Payment Date.</p>

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Interest Observation / Payment Dates	Number (j)	Coupon Barrier as % of Initial Reference Price	Coupon	Interest Observation Date	Interest Payment Date
	1	65%	4.50%	26 Jan 2015	2 Feb 2015
	2	65%	4.50%	27 Jul 2015	03 Aug 2015
	3	65%	4.50%	25 Jan 2016	01 Feb 2016
	4	65%	4.50%	25 Jul 2016	01 Aug 2016
	5	65%	4.50%	25 Jan 2017	01 Feb 2017
	6	65%	4.50%	25 Jul 2017	01 Aug 2017

#### EARLY REDEMPTION

<b>Early Redemption Event</b>	An Early Redemption Event occurs if on any Early Redemption Observation Date, the official closing price of all Underlyings(i) are above the relevant Autocall Level.				
<b>Early Redemption Amount and Observation / Payment Dates</b>	If, on an Early Redemption Observation Date, an Early Redemption Event occurs, then the Notes will be automatically early redeemed at the relevant Early Redemption Amount on the relevant Early Redemption Date (in each case, as specified below):				
	Number (n)	Autocall Level as % of Reference Price	Early Redemption Amount (as % of PAR)	Early Redemption Observation Date	Early Redemption Payment Date
	1	100%	100%	26 Jan 2015	2 Feb 2015
	2	100%	100%	27 Jul 2015	03 Aug 2015
	3	100%	100%	25 Jan 2016	01 Feb 2016
	4	100%	100%	25 Jul 2016	01 Aug 2016
	5	100%	100%	25 Jan 2017	01 Feb 2017

#### FINAL REDEMPTION AMOUNT

<b>Formula</b>	If there is no Early Redemption Event, on or prior to the Determination Date, an amount calculated by the Determination Agent as follows: (i) If on the Determination Date, the Final Reference Price of the Lowest Performing Underlying is at or greater than Barrier Level: 100% of Par (ii) If on the Determination Date, the Final Reference Price of the Lowest Performing Underlying is less than Barrier Level: Par * (Lowest Performing Underlying Final Reference Price/Lowest Performing Underlying Initial Reference Price)
<b>Lowest Performing Underlying (LPU)</b>	The Lowest Performing Underlying will be defined as the Underlying(i) which generates the lowest result from the following computation on the Determination Date: $\frac{[(\text{Final Reference Price}(i) - \text{Initial Reference Price}(i)) / \text{Initial Reference Price}(i)]}{\text{where } i = 1 \text{ to } 7}$ If there is an equivalent result for more than one Underlying(i), the Lowest Performing Underlying shall be determined by the Determination Agent
<b>Final Reference Price(i)</b>	The official closing price of Underlying(i) on the Determination Date
<b>Initial Reference Price(i)</b>	The Initial Reference price of Underlying(i) as stated in the table above

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<b>FURTHER INFORMATION:</b>	
<b>Notices</b>	All notices concerning the Notes will be published on the internet on website www.morganstanleyiq.eu or any successor website hereto
<b>Maturity Date Adjustment</b>	The Maturity Date is subject to adjustment in accordance with the Business Day Convention (i) in the event such date is not a Business Day or (ii) such that the Maturity Date shall always be at least five (5) Business Days following the Determination Date.
<b>Settlement Type</b>	Cash
<b>Business Days for Valuation Purposes</b>	a Scheduled Trading Day in respect of the Underlying(s)
<b>Business Days for Payment Purposes</b>	Prague
<b>Business Days Convention</b>	Following, provided that the Maturity Date shall always be at least (5) Business Days following the Determination Date.
<b>Inconvertibility Event Provision</b>	Not Applicable
<b>Market Making</b>	Under normal market conditions, and subject to applicable law and regulations and Morgan Stanley internal policy, Morgan Stanley & Co. International plc will use reasonable efforts to quote bid and offer prices. However, Morgan Stanley & Co. International plc will not be legally obliged to do so.
<b>Issuing and Paying Agent</b>	The Bank of New York
<b>Determination Agenda</b>	Morgan Stanley & Co International Plc
<b>Settlement</b>	Euroclear
<b>Listing</b>	None
<b>SERIES ID</b>	EU141
<b>Form</b>	Registered
<b>Governing Law</b>	English Law
<b>Market Making</b>	Under normal market conditions, and subject to applicable law and regulations and Morgan Stanley internal policy, Morgan Stanley & Co. International plc will use reasonable efforts to quote bid and offer prices. However, Morgan Stanley & Co. International plc will not be legally obliged to do so.

<b>ADJUSTMENT/EXTRAORDINARY EVENTS</b>	Merger Event, Tender Offer, Nationalization, Delisting and Insolvency
<b>ADDITIONAL DISRUPTION EVENTS</b>	Change in Law, Hedging Disruption, Loss of Stock Borrow, Increased Cost of Hedging

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<b>EARLY REDEMPTION AMOUNT UPON EVENT OF DEFAULT</b>	If the Securities are accelerated following the occurrence of an Event of Default: Qualified Financial Institution Determination: an amount determined by the Determination Agent, acting in good faith and in a commercially reasonable manner, as at such date as is selected by the Determination Agent in its sole and absolute discretion (provided that such day is not more than 15 Business Days prior to the date fixed for redemption of the Securities) to be the amount that a Qualified Financial Institution would charge to assume all of the Issuer's payment and other obligations with respect to such Securities as if no such Event of Default had occurred or to undertake obligations that would have the effect of preserving the economic equivalent of any payment by the Issuer to the Securityholder with respect to the Securities.
<b>INTERMEDIARY FEES</b>	In connection with the offer and sale of the Notes, the Issuer or the Dealer will pay to the Distributor a one time or recurring distribution fee. The total distribution fees payable, will not exceed 2.00% per annum. The investor acknowledges and agrees that such fees will be retained by the Distributor. Further information is available from the Distributor upon request.

Any Intermediary based in the EEA is obliged to disclose to investors the existence, nature and amount of such commission or fee. Investors should ensure that they have been informed about any fee or commission arrangements by the Intermediary before making any purchase of the relevant securities. No fees or other remuneration can be paid to any intermediary in relation to any Securities purchased by a UK retail client who has received a personal recommendation from such intermediary to purchase the Securities and accordingly the Securities may not be offered or sold to UK retail clients in such circumstances.

## RISK FACTORS

Potential investors are urged to consult with their legal, regulatory, investment, accounting, tax and other advisors with regard to any proposed or actual investment in the Securities and to review the Base Prospectus.

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

**Capital is not protected:** The final redemption amount depends on the performance of the Underlying and could be zero.

**Product Market Risk:** The value of the Securities and the returns available under the terms of the Securities will be influenced and dependent on the value of the Underlying. It is impossible to predict how the level of the Underlying will vary over time. The historical performance (if any) of the Underlying is not indicative of its future performance.

**Exit Risk:** Any secondary market price of the Securities will depend on many factors, including the value and volatility of the Underlying(s), interest rates, the dividend rate on the stocks that compose the Underlying, time remaining to maturity and the creditworthiness of the Issuer and the Guarantor. The secondary market price may be lower than the market value of the issued Securities as at the Issue Date to take into account amounts paid to distributors and other intermediaries relating to the issue and sale of the Securities as well as amounts relating to the hedging of the Issuer's obligations. As a result of all of these factors, the holder may receive an amount in the secondary market which may be less than the then intrinsic market value of the Security and which may also be less than the amount the holder would have received had the holder held the Security through to maturity.

**Liquidity Risk:** The Securities will not be traded on an organized exchange. Any secondary market in the Securities made by the Dealer will be made on a reasonable efforts basis only and subject to market conditions, law, regulation and internal policy. Even whilst there may be a secondary market in the Securities it may not be liquid enough to facilitate a sale by the holders.

**Credit Risk:** Investors are exposed to the credit risk of the Issuer and/or Guarantor. The Securities are essentially a loan to the Issuer with a repayment amount linked to the performance of the Underlying that the Issuer promises to pay at maturity and that the Guarantor promises to pay if the Issuer fails to do so. There is the risk, however, that the Issuer and the Guarantor may not be able to fulfill their obligations, irrespective of whether the Securities are referred to as capital or principal protected. Investors may lose all or part of their investment if the Issuer and the Guarantor are unable to pay the coupons or the redemption amount. No assets of the Issuer and/or Guarantor are segregated and specifically set aside in order to pay the holders of the Securities in the event of liquidation of the Issuer and/or Guarantor, and the holders of the Securities will rank behind secured or preferred creditors.

**Hedging Risk:** On or prior to and after the Trade Date, the Issuer, through its affiliates or others, will likely hedge its anticipated exposure under the Securities by taking positions in the Underlying, in option contracts on the Underlying or positions in any other available securities or instruments. In addition, the Issuer and its affiliates trade the Underlying as part of their general businesses. Any of these activities could potentially affect the value of the Underlying, and accordingly, could affect the payout to holders on the Securities.

**Adjustments by the Determination Agent:** The terms and conditions of the Securities will allow the Determination Agent to make adjustments or take any other appropriate action if circumstances occur where the Securities or any exchanges are affected by market disruption, adjustment events or circumstances affecting normal activities. These circumstances include the Nationalisation, Delisting, Insolvency or a Takeover or Merger of the share issuers of the Underlying(s) as applicable.

In addition, other circumstances may occur which either increase the liability of the Issuer fulfilling its obligations under the Securities or increase the liability of any hedging activities related to such obligations, including without limitation the adoption of or any change in any tax law relating to a common system of financial transaction tax in the European Union or otherwise.

In such circumstances, the Determination Agent can in its sole and absolute discretion determine whether to redeem the Securities early, or adjust the terms of the Securities, which may include without limitation adjustments to the Initial Reference Price, the Final Redemption Amount or the Underlying. The Determination Agent is not required but has the discretion to make adjustments with respect to each and every corporate action. Potential investors should see the Base Prospectus for a detailed description of potential adjustment events and adjustments.

**No Shareholder Rights:** A holder of Securities will not have any beneficial interest in the Underlying and will not be able to exercise any voting rights, and will not have the right to receive dividends or other distributions with respect to the Underlying(s).

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**Potential Conflict of Interest:** The Determination Agent, which is an affiliate of the Issuer, will determine the payout to the investor at maturity. Morgan Stanley & Co International Plc and its affiliates may trade the Underlying on a regular basis as part of its general broker-dealer business and may also carry out hedging activities in relation to the Securities. Any of these activities could influence the Determination Agent's determination of adjustments made to any Securities and any such trading activity could potentially affect the price of the Underlying and, accordingly, could affect the investor's payout on any Security.

### **Selling Restrictions**

Save as expressly permitted herein, no public offering of the Securities, or possession or distribution of any offering material in relation thereto, is permitted in any jurisdiction. This term sheet may not be used for the purpose of any offer or solicitation by anyone in any jurisdiction in which that offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

In each member state of the European Economic Area which has implemented the Prospectus Directive (Directive 2003/71/EC), as amended by Directive 2010/73/EC, no offer of the Securities to the public (as defined for the purposes of such Directive and any implementing measures in any such member state) may be made, except in circumstances which do not result in any breach of such Directive and any such implementing measures by the offeror or the Issuer, the Dealer and their respective affiliates and for this purpose an offer shall not be treated as not requiring the publication of a prospectus pursuant to Article 3 of the Prospectus Directive, or any corresponding provision of any such implementing measures solely by virtue of the application of Article 3(2)(b) (offer to fewer than 150 persons) or any corresponding provision of any such implementing measures.

The Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or the securities laws of any State in the United States, and are subject to U.S. tax requirements. The Securities may not be offered, sold or delivered at any time, directly or indirectly, within the United States (which term includes the territories, the possessions and all other areas subject to the jurisdiction of the United States of America) or to or for the account of a U.S. Person (as defined in Regulation S under the Securities Act of 1933, as amended). In purchasing the Securities, you represent and warrant that you are neither located in the United States nor a U.S. Person and that you are not purchasing for the account or benefit of any such person.

### **Investor Representations**

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

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

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- (iv) You will not, directly or indirectly, distribute or arrange the distribution of the product or disseminate or publish (which for the avoidance of doubt will include the dissemination of any such materials or information via the internet) any materials or carry out any type of solicitation in connection with the product in any country or jurisdiction, except under circumstances that will result in compliance with all applicable Regulations and selling practices, and will not give rise to any liability for the Issuer or Morgan Stanley. For the avoidance of doubt, this includes compliance with the selling restrictions mentioned herein and all applicable sanctions laws and programs, including without limitation the U.S. Department of Treasury's Office of Foreign Assets Control;
- (v) If you receive any fee, rebate or discount, you shall not be in breach of any Regulation or customer or contractual requirements or obligations and you shall, where required to do so (whether by any applicable Regulation, contract, fiduciary obligation or otherwise), disclose such fees, rebates and discounts to your investors. You acknowledge that where fees are payable, or rebates or discounts applied, the Issuer and Morgan Stanley are obliged to disclose the amounts and/or basis of such fees, rebates or discounts at the request of any of your investors or where required by any applicable Regulations. In relation to any Security issued pursuant to a personal recommendation to a retail client in the UK, you agree to be remunerated only by way of adviser charges which have been pre-agreed with the client and not to solicit or accept any third party commissions, remuneration or benefits of any kind in relation to such recommendation;
- (vi) You agree and undertake to indemnify and hold harmless and keep indemnified and held harmless the Issuer, the Dealer and each of their respective affiliates and their respective directors, officers and controlling persons from and against any and all losses, actions, claims, damages and liabilities (including without limitation any fines or penalties and any legal or other expenses incurred in connection with defending or investigating any such action or claim) caused directly or indirectly by you or any of your affiliates or agents to comply with any of the provisions set out in (i) to (vi) above, or acting otherwise than as required or contemplated herein.

**YOU AGREE THAT THE REPRESENTATIONS, UNDERTAKINGS AND ACKNOWLEDGEMENTS IN THIS DOCUMENT ARE BINDING ON YOU WITH RETROSPECTIVE EFFECT AS OF THE TRADE DATE.**

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

**Important Information**

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

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

THIS COMMUNICATION IS DIRECTED TO THOSE PERSONS WHO ARE ELIGIBLE COUNTERPARTIES OR PROFESSIONAL CLIENTS (AS DEFINED IN EU DIRECTIVE 2004/39/EC)

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