

ULTRAPAR HOLDINGS INC  
Form 6-K  
March 07, 2012

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Form 6-K  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Report Of Foreign Private Issuer  
Pursuant To Rule 13a-16 Or 15d-16 Of  
The Securities Exchange Act Of 1934

For the month of March, 2012

Commission File Number: 001-14950

ULTRAPAR HOLDINGS INC.  
(Translation of Registrant's Name into English)

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Avenida Brigadeiro Luis Antonio, 1343, 9º Andar  
São Paulo, SP, Brazil 01317-910  
(Address of Principal Executive Offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form	<input checked="" type="checkbox"/>	Form
20-F		40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes	No	<input checked="" type="checkbox"/>
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Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes	No	<input checked="" type="checkbox"/>
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Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes	No	<input checked="" type="checkbox"/>
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If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A



ULTRAPAR HOLDINGS INC.

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ITEM 1

ULTRAPAR PARTICIPAÇÕES S.A.

Publicly Traded Company

CNPJ nº 33.256.439/0001- 39

NIRE 35.300.109.724

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS (02/2012)

Date, Time and Location:

February 29th, 2012, at 2:30 p.m., at the Company's headquarters, located at Av. Brigadeiro Luís Antônio, nr 1343, 9th floor, in the City and State of São Paulo.

Attendance:

Members of the Board of Directors, including attendance via telephone.

Decisions:

1. To approve, in accordance with terms of article 59, paragraph 1, of the Law 6,404/76, the issuance by the Company ("Offering"), for public distribution, of simple debentures, unsecured, non-convertible into shares ("Debentures"), under the terms and conditions below:

1.1 Total Offering Amount

1.1.1 The total amount to be issued is up to R\$800,000,000.00 (eight hundred million reais) as of the Offering Date (as defined below).

1.2 Offering Number

1.2.1 The current Offering is the 4th (fourth) offering of Debentures by the Company.

1.3 Quantity and Unit Nominal Value of the Debentures

1.3.1 800 (eight hundred) Debentures will be issued, with par value unit of R\$1,000,000.00 (one million reais) ("Unit Nominal Value") at the Offering Date (as defined below).

1.4 Series

1.4.1 The Offering is composed of 1 (one) single tranche.

1.5 Placement

1.5.1 The Debentures will be subject to a public offering, with restricted efforts, pursuant to CVM Instruction nr 476/09, on a firm commitment basis for all the Debentures issued, in accordance with the placement agreement to be entered into within the scope of the Offering, with the intermediation of financial institutions, having as target audience exclusively qualified investors, as defined under the terms of article 4 of CVM Instruction nr 476/09 ("Qualified Investors").

(Minutes of the meeting of the Board of Directors of Ultrapar Participações S.A., held on February 29th, 2012)

1.6 Offering Date, term and due date

1.6.1 The offering date will be the date of the effective subscription of the Debentures (“Offering Date”).

1.6.2 The Debentures will have a 3-year term, starting from the Offering Date.

1.7 Convertibility and form

1.7.1 The Debentures are simple, nominative, of a book-entry form and non-convertible into shares of the Company.

1.8. Type

1.8.1 The Debentures are unsecured.

1.9 Underwriting and trading in the primary market

1.9.1 The Debentures will be distributed on a firm commitment basis, with the intermediation of financial institutions members of the securities distribution system, and will be registered for distribution in the primary market through (i) the Securities Distribution System (“SDT”), managed and operated by CETIP S.A. – Mercados Organizados (“CETIP”), with trading settlement and custody provided by CETIP; and (ii) for trading in the secondary market through the National Debentures System (“SND”), managed and operated by CETIP, with trading settlement and custody electronically provided by CETIP.

(Minutes of the meeting of the Board of Directors of Ultrapar Participações S.A., held on February 29th, 2012)

1.9.1 Debentures will trade under the terms of CVM Instruction nr 476/09 and other applicable laws and regulations.

1.10 Remuneration

1.10.1 The Unit Nominal Value of the Debentures will not be subject to monetary adjustment.

1.10.2 Each Debenture will bear interest corresponding to 108.25% (one hundred and eight point twenty-five percent) of the accumulated variation of the average daily DI rates (Inter-financial deposits of one-day), “extra group”, expressed as a percentage per year on the basis of 252 (two hundred and fifty-two) business days, calculated and published by CETIP, on the unamortized Par Value Unit of the Debentures, pursuant to the Debenture’s Indenture (“Remuneration” and “Indenture”, respectively).

1.11 Remuneration payment

1.11.1 The remuneration of the Debentures shall be paid on a yearly basis, starting from the Offering Date.

1.12 Amortization

1.12.1 The Debentures under this Offering will be redeemed in one single tranche at the final maturity date of the Debentures.

(Minutes of the meeting of the Board of Directors of Ultrapar Participações S.A., held on February 29th, 2012)

1.13 Default Charges

1.13.1 In case of delay in the payment of any amount due with regard to the Debentures, the overdue amounts will be subject to the penalties set forth in the Indenture.

1.14 Renegotiation

1.14.1 There will be no renegotiation of the Debentures.

1.15 Early Redemption

1.15.1 The Company may, at any time, by advance notice of at least 48 (forty-eight) hours before the redemption date, early redeem the Debentures, whether fully or partially, subject to the payment of a redemption premium equal to 0.30% (zero point thirty percent) on the balance of the unamortized Unit Nominal Value of each redeemed Debenture, added by the Remuneration calculated pro rata temporis from the respective Offering Date or the Remuneration Payment date, whichever occurs later, to the effective redemption date, and subject to the procedure to be set out in the Indenture.

1.16 Optional Acquisition

1.16.1 The Company may, at any time, acquire outstanding Debentures, subject to the provisions of article 55, paragraph 3, of Law 6,404/76. The Debentures acquired by the Company may, at the Company's discretion, be cancelled, be held in treasury, or be once again placed in the market. The Debentures acquired by the Company to be held in treasury shall, if and when placed back



(Minutes of the meeting of the Board of Directors of Ultrapar Participações S.A., held on February 29th, 2012)

in the market, be entitled to the same Remuneration as applicable to the other outstanding Debentures.

1.17 Accelerated Maturity

1.17.1 The trustee of the Debenture holders (“Trustee”) may declare early maturity of, and as immediately payable, all of the Company’s obligations under the Debentures, as set forth in the Indenture, and demand from the Company the immediate payment of the balance due of the unamortized Unit Nominal Value, added by the Remuneration owed up to the date of the effective payment, calculated pro rata temporis, the Default Charges, if any, and any other amounts that may be due by the Issuer under the Indenture, on the date it becomes aware of any of the events below, without prejudice to any other events that may be agreed to in the Indenture:

- i) non-payment of principal and/or of the Remuneration owed on the Debentures on their respective due dates;
- ii) request for judicial or extrajudicial recovery by the Issuer to any creditor or class of creditors, independent of obtaining the judicial homologation or the deferment of the processing or its waiver;
- iii) liquidation, dissolution, or adjudication of bankruptcy of the Company and controlled companies;
- iv) a request for bankruptcy by the Company;
- v) occurrence of any change of the control of the Company, as may be defined in the Indenture.

(Minutes of the meeting of the Board of Directors of Ultrapar Participações S.A., held on February 29th, 2012)

1.18 Fund Allocation

1.18.1 The funds obtained by the Company from the Offering will be fully used for the payment of the early redemption of the debentures under the Company's third issuance.

1.19 Subscription Term

1.19.1 The Debentures will be subscribed, at any time, from the starting date of the Debentures distribution, subject to the provisions of article 8, paragraph 2, of CVM Instruction nr 476/09.

1.20 Profit Sharing

1.20.1 The Debentures shall not be entitled to the Company's profit sharing.

1.21 Placement of Additional Lot and Supplemental Lot

1.21.1 There shall be no placement of additional lot or supplemental lot of Debentures.

1.22 Place of Payment

1.22.1 Payments on the Debentures, particularly the Remuneration and the Unit Nominal Value, will be made (a) with the application of the procedures adopted by CETIP for Debentures electronically held in custody at SND, or (b) in the event that the Debentures are not electronically held in custody at SND: (1) at the headquarters of the Company or of the institution engaged to

(Minutes of the meeting of the Board of Directors of Ultrapar Participações S.A., held on February 29th, 2012)

provide services as underwriter under the Offering or (2), when applicable, by the financial institution engaged for such purpose.

2. The Board of Directors decided to authorize the Officers to take any measures necessary to implement the resolutions adopted herein, including but not limited to all the actions necessary to implement the Offering, such as the actions required for the signing of the Indenture, the hiring of financial institutions authorized to operate in the securities distribution system as intermediates of the public offering of the Debentures, the hiring of the fiduciary agent, underwriter, custodian institution, and other institutions which may be necessary to the Offering, setting their respective fees, as well as the publication and registration of corporate documents with the competent authorities, including CETIP, CVM or any other authorities or organizations which may be necessary to adopt any measures to implement and release the Offering, as well as to prepare, together with the financial institutions intermediating the Offering, the Debenture distribution plan.

Observations: The deliberations were approved, with no amendments or qualifications, by all the Board Members present, except for Board Member Renato Ochman, who abstained from voting.

As there were no further matters to be discussed, the meeting was closed, the minutes of this meeting were written, read and approved by all the undersigned members present. aa) Paulo Guilherme Aguiar

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(Minutes of the meeting of the Board of Directors of Ultrapar Participações S.A., held on February 29th, 2012)

Cunha – Chairman; Lucio de Castro Andrade Filho – Vice President; Ana Maria Levy Villela Igel; Paulo Vieira Belotti; Olavo Egydio Monteiro de Carvalho; Nildemar Secches; Renato Ochman; Thilo Mannhardt; Luiz Carlos Teixeira – Board Members.

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I hereby declare that this is a true and faithful copy of the minutes of the meeting, which has been entered in the appropriate registration book.

Paulo Guilherme Aguiar Cunha  
Chairman

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ITEM 2

ULTRAPAR PARTICIPAÇÕES S.A.  
Publicly Traded Company  
CNPJ nº 33.256.439/0001- 39  
NIRE 35.300.109.724

MATERIAL NOTICE

São Paulo, Brazil – March 6th, 2012 – ULTRAPAR PARTICIPAÇÕES S.A. (“Ultrapar” or “Company”) – (BM&FBOVESPA: UGPA3 / NYSE: UGP) hereby informs that it will issue R\$800,000,000.00 (eight hundred million Reais) in debentures, simple, non-convertible into shares and unsecured, all nominative, in the book-entry form, in one single tranche, with par value unit of R\$1,000,000.00 (one million Reais), with a 3-year term starting from the issuance date (“Issuance”).

The debentures will have yearly interest payments, amortization in one single tranche at the final maturity date and remuneration corresponding to 108.25% of the accumulated variation of the average DI rates – Inter-financial deposits, daily calculated and published by CETIP (“CDI”). Ultrapar may, at any time, by advance notice, early redeem the outstanding debentures.

The Issuance constitutes the 4th public distribution of debentures of the Company and is placed pursuant to the terms of CVM Instruction nr 476, of January 16th, 2009, on a firm commitment basis for the total amount issued, provided by the lead manager.

Banco Bradesco BBI S.A was mandated as lead manager and Banco Bradesco S.A. was mandated as co-manager of this issuance.

The proceeds of the Issuance will be used for the partial redemption of the 3rd issuance of the debentures of Ultrapar, with maturity in December 2012 and remuneration corresponding to 108.5% of the accumulated variation of the CDI.

As a result, the Issuance allows the Company to extend its debt profile, providing higher financial flexibility and increase in soundness and liquidity.

André Covre  
Chief Financial and Investor Relations Officer  
ULTRAPAR PARTICIPAÇÕES S.A.

ITEM 3

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INDENTURE OF THE 4TH PUBLIC OFFERING OF SIMPLE, NON-CONVERTIBLE INTO SHARES, SINGLE-SERIES, UNSECURED DEBENTURES, FOR PUBLIC DISTRIBUTION WITH RESTRICTED PLACEMENT EFFORTS, OF ULTRAPAR PARTICIPAÇÕES S.A.

between

Ultrapar Participações S.A.  
and

Pentágono S.A. Distribuidora de Títulos e Valores Mobiliário

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dated MARCH 2ND 2012

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INDENTURE OF THE 4TH PUBLIC OFFERING OF SIMPLE, NON-CONVERTIBLE INTO SHARES, SINGLE-SERIES, UNSECURED DEBENTURES, FOR PUBLIC DISTRIBUTION WITH RESTRICTED PLACEMENT EFFORTS, OF ULTRAPAR PARTICIPAÇÕES S.A.

The parties hereto (“Parties”):

- i. ULTRAPAR PARTICIPAÇÕES S.A., a public-traded company registered at the Brazilian Securities and Exchange Commission (“CVM”), with its principal place of business in the City of São Paulo, State of São Paulo, at Av. Brig. Luís Antônio, 1.343, 9º andar, registered with the Brazilian Roll of corporate Taxpayers of the Ministry of Finance (“CNPJ/MF”) under No. 33.256.439/0001-39, with its articles of incorporation duly filed with the Registry of Commerce of the State of São Paulo (“JUCESP”) under No. NIRE 35.300.109.724, herein represented pursuant to its Bylaws (hereinafter referred to as “Issuer”); and
- ii. PENTÁGONO S.A. DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS, with its principal place of business in the City of Rio de Janeiro, State of Rio de Janeiro, at Avenida das Américas, 4.200, Bloco 4, Sala 514, registered with CNPJ/MF under No. 17.343.682/0001-38, representing the debenture holders that are purchasing the Debentures under this offering (“Debenture Holders”), herein represented pursuant to its Bylaws (hereinafter referred to as “Trustee”),

HAVE AGREED to enter into this “Indenture of the 4th Public Offering of Simple, Non-Convertible into Shares, Single-Series, Unsecured Debentures, for Public Distribution with Restricted Placement Efforts, of Ultrapar Participações S.A.” (hereinafter referred to as “Indenture”), according to the terms and conditions below.

CLAUSE I - AUTHORIZATION

1.1 The present Offering was authorized at the Meeting of the Board of Directors of the Issuer, held on February 29, 2012, pursuant to article 59, par. 1, of Law 6.404 dated December 15, 1976, as amended (“Corporation Act”), which approved the present Offering (“MBD”).

## CLAUSE II - REQUIREMENTS

2.1 The fourth (4th) public offering of Simple, Non-Convertible into Shares, Single-Series, Unsecured Debentures, for Public Distribution with Restricted Placement Efforts (hereinafter referred to as “Offering”), pursuant to CVM Instruction 476 dated January 16, 2009, as amended (“CVM Instruction 476/09”) will be made in compliance with the following requirements:

2.2 Resolution Filing and Publication. The minutes of the MBD that approved this Offering will be filed with JUCESP and published in Diário Oficial do Estado de São Paulo (Gazette of the State of São Paulo) and the Valor Econômico newspaper.

2.3 Indenture Registration. The Indenture and any amendments thereto will be registered with JUCESP, in accordance with the provisions of article 62 of the Corporation Act.

2.4 Filing with CVM and ANBIMA Not Required. The Offering is automatically exempted of the requirement of being filed with CVM considering that the placement of the Debentures to the investors will be made with restricted efforts, pursuant to article 6 of CVM Instruction 476/09, and is also exempted of the requirement of being filed with the Brazilian Association of Financial and Capital Market Institutions (“ANBIMA”), pursuant to article 25, par. 1, of “Código ANBIMA de Regulação e Melhores Práticas para as Ofertas Públicas de Distribuição e Aquisição de Valores Mobiliários” (ANBIMA Code of Regulation and Best Practices for Public Offerings for the Distribution and Acquisition of Securities).

2.5 Registration for Placement and Trading. The Debentures issued under the Offering (“Debentures”) will be registered for distribution in the primary market and for trading in the secondary market through the SDT – Módulo de Distribuição de Títulos (“SDT”) and the SND – Módulo Nacional de Debêntures (“SND”), respectively, both administered and operated by CETIP S.A. – Mercados Organizados (“CETIP”), and the distribution, settled transactions and Debentures will be electronically held in custody at CETIP.

2.5.1 Pursuant to the provisions of articles 13 and 15 of CVM Instruction 476/09, and subject to other applicable legal provisions, the Debentures shall only be traded between qualified investors, as defined in article 4 of CVM Instruction 476/09 (“Qualified Investors”), and after ninety (90) days from the subscription or acquisition thereof by the investor, considering that the Issuer is in compliance with its obligations as set forth in article 17 of CVM Instruction 476/09.

## CLAUSE III – DEBENTURE CHARACTERISTICS

3.1 The Debentures shall have the following characteristics and conditions:



3.2 Offering Number. The present Indenture represents the 4th offering of debentures of the Issuer.

3.3 Total Offering Amount. The total amount of the Offering is of up to eight hundred million reais (R\$800,000,000.00) as of the Offering date.

3.4 Subscription Price. The subscription price of the Debentures will be the Unit Nominal Value, plus Interest, as defined below, calculated on a pro rata temporis basis from the date of the Debentures' first subscription and payment ("First Subscription Date") through the date of the effective subscription and payment. Payment will be made at sight upon subscription, in Brazilian currency.

3.5 Series. The Offering will be made in a single series.

3.6 Placement. The placement of the Debentures must be made within the distribution period set forth in the Debenture distribution agreement, subject to the provisions of CVM Instruction 476/09.

3.6.1 The Debentures will be subject to public distribution with placement restricted efforts, under the firm subscription guarantee regime of all the Debentures, coordinated by Banco Bradesco BBI S.A., a member financial institution of the security distribution system, located in the City of São Paulo, State of São Paulo, at Avenida Paulista, nº 1.450, 8º andar, registered with CNPJ/MF under No. 06.271.464/0073-93 ("Underwriter"), and will be intended exclusively for subscription by no more than twenty (20) Qualified Investors, subject to the provisions of article 3 of CVM Instruction 476/09, as well as the terms and conditions of the Debenture distribution agreement to be entered into between the Underwriter and the Issuer ("Placement Agreement").

3.6.2 The distribution plan will follow the procedure described in CVM Instruction 476/09, as set forth in the Placement Agreement. To such effect, the Underwriter may contact no more than fifty (50) Qualified Investors, and the subscription or acquisition may be made by no more than twenty (20) Qualified Investors.

3.6.3 The Parties agree not to seek investors through stores, offices or establishments that are open to the public, or through public communication services, such as the press, radio, television, or websites that are open to the public, pursuant to CVM Instruction 476/09.

3.6.4 The total amount of the Offering shall in no event be increased.

3.6.5 The Issuer undertakes: (i) not to contact, or provide information on the restricted offer of Debentures ("Restricted Offer") to any investor, unless previously agreed with the Underwriter; and (ii) to inform the Underwriter of the interest expressed by potential investors in the Restricted Offer within one (1) business day after receiving such expression of interest.

3.6.6 No liquidity maintenance fund will be established, and no price stabilization agreement will be entered into, in connection with the Debentures.

3.6.7 Underwriter's Qualified Investors that may wish to invest in the Debentures will be accepted, in view of the Underwriter's relationship with those clients, and so will other Qualified Investors, even if not clients of the Underwriter.

3.6.8 Issuer's current shareholders shall have no preemptive right to subscribe the Debentures, and no discount whatsoever shall be granted by the Underwriter to the investors willing to acquire the Debentures.

3.6.9 There shall be no early reservation or minimum or maximum lots for the Offering.

3.7 Agent Bank and Bookkeeping Agent. The agent bank and bookkeeping agent of the Debentures under the Offering will be Banco Bradesco S.A., financial institution with its principal place in the City of Osasco, State of São Paulo, Cidade de Deus, s/nº, Prédio Amarelo, 2º andar, registered with CNPJ/MF under No. 60.746.948/0001-12 ("Agent Bank").

3.8 Fund Allocation. The funds obtained by the Issuer will be fully used for the payment of the early partial redemption of the debentures under Issuer's third (3rd) offering.

3.9 Purpose of the Issuer. According to article 3 of Issuer's Bylaws, its purpose is to invest its own funds in trade, manufacturing, agriculture, and provision of services, by subscription or acquisition of shares or interest in companies.

#### CLAUSE IV – DEBENTURE CHARACTERISTICS

##### 4.1 Basic Characteristics

4.1.1 Issuance Date: For all legal purposes and effects, the Debenture issuance date will be the date of actual subscription thereof, which is March 16, 2012 ("Issuance Date").

4.1.2 Convertibility, Type and Form: The Debentures will be simple, non-convertible into shares, registered and book-entry.

4.1.3 Type: The Debentures will be unsecured, in accordance with article 58 of the Corporation Act.

4.1.4 Term and Maturity Date: For all legal purposes, the Debentures will mature in three (3) years after the Issuance Date ("Maturity Date"), with due date on March 16, 2015.

4.1.5 Unit Nominal Value: The unit nominal value of the Debentures will be one million reais (R\$ 1,000,000.00) as of the First Subscription Date (“Unit Nominal Value”).

4.1.6 Amount of Debentures Issued: Eight hundred (800) Debentures will be issued.

#### 4.2 Interest

4.2.1 Monetary Adjustment. The Unit Nominal Value of the Debentures will not be subject to monetary adjustment.

4.2.1 Interest. The Debentures will bear interest, after the First Subscription Date, on the unamortized Unit Nominal Value of the Debenture, to be paid at the end of each accrual period (“Accrual Period”), according to the formula below. The interest rate applicable to the Debentures will correspond to the accumulated variation of one hundred and eight point twenty-five percent (108.25%) of the average DI – Interbank Deposit rates for one (1) day, “over extra group” (“DI Rate”), expressed as a percentage per year on the basis of two hundred and fifty-two (252) business days, calculated and published by CETIP in Informativo Diário (Daily Bulletin), as available through its website (<http://www.cetip.com.br>) (“Interest”). Interest will be calculated on an exponential, cumulative, pro rata temporis basis, according to the number of business days elapsed, on the unamortized Unit Nominal Value of the Debentures from the First Subscription Date, or the maturity date of the last Accrual Period, as applicable, to the date of actual payment, according to the following formula:

$$I = NV_i \times (DI \text{ Factor} - 1), \text{ where:}$$

“I” corresponds to the amount of interest due at the end of each Accrual Period, calculated with six (6) decimal places with no rounding;

“NV<sub>i</sub>” corresponds to the Unit Nominal Value at the issuance or the balance of the Unit Nominal Value of the Debenture, informed/calculated with six (6) decimal places with no rounding;

“DI Factor” corresponds to the multiplication of the DI Rate using a percentage applied from and including the accrual start date to and excluding the Interest payment date, calculated with eight (8) decimal places with rounding, as defined below:

where:

“n” corresponds to the total number of DI-Over Rates considered in the Accrual Period, where “n” is an integer;

“p” corresponds to the percentage applied to the DI-Over Rate, informed with two (2) decimal places, equal to one hundred and eight point twenty-five (108.25);

“DIRk” corresponds to the daily DI-Over Rate, calculated with eight (8) decimal places, with rounding, calculated as follows:

where:

“DIk” corresponds to the DI-Over Rate published by CETIP, valid for one (1) business day (overnight), used with two (2) decimal places.

4.2.2.1 For the purpose of calculating the Interest:

- i) the factor resulting from the expression  $(1 + \text{DIRk} \times p/100)$  will be considered with sixteen (16) decimal places with no rounding;
- ii) the daily factors are multiplied  $(1 + \text{DIRk} \times p/100)$ , where, for each daily factor accumulated, the result is truncated to sixteen (16) decimal places, then the next daily factor is applied, and so on up to the last one considered;
- iii) once the factors are accumulated, the factor resulting from the “DI Factor” multiplication is considered, with eight (8) decimal places with no rounding; and
- iv) the DI Rate will be used considering an identical number of decimal places as published by the body responsible for the calculation thereof.

“Accrual Period” is defined as the time interval beginning on the First Subscription Date, in the case of the first period, or on the immediately preceding scheduled interest payment date, for the other periods, and ending on the scheduled interest payment date corresponding to the period. Each Accrual Period succeeds the previous one without interruption.

4.2.2.2 In case of temporary unavailability of the DI Rate upon the payment of any monetary obligation under this clause, it will be replaced with the same daily rate produced by the last known DI Rate, if any, on the calculation date, and no financial compensation will be due by the Issuer or the Debenture Holders upon the subsequent publication of the respective DI Rate.

4.2.2.3 Failing the setting and/or publication of the DI Rate for a period exceeding twenty (20) days after said date, or, further, in case of discontinuation of such rate or by operation of law, the Trustee shall call a General Meeting of Debenture Holders to define, by mutual agreement with the Issuer, the parameter to be applied. Until the date of the resolution by the General Meeting of Debenture Holders, the same daily rate produced by

the last known DI Rate will be used for the calculation of the amount of any obligations under this clause.

4.3 Amortization. The Unit Nominal Value of the Debentures under this Offering will be amortized in one single installment on the Maturity Date.

4.4 Interest Payment. The amounts relating to the Debenture Interest shall be paid on an annual basis, the first payment being due on March 16, 2013 and the subsequent ones on the respective annual anniversaries up to and including the maturity date.

**Because the securities are linked to the performance of the worst performing underlying index, you are exposed to greater risks of receiving no contingent monthly coupons and sustaining a loss on your investment than if the securities were linked to just one index.** The risk that you will not receive any contingent monthly coupons, or that you will suffer a loss on your investment, is greater if you invest in the securities as opposed to substantially similar securities that are linked to the performance of just one underlying index. With two underlying § indices, it is more likely that either underlying index will close below its coupon threshold level on any observation date and decline by more than the buffer amount at maturity, than if the securities were linked to only one underlying index. Therefore, it is more likely that you will not receive any contingent monthly coupons and that you will suffer a loss on your investment. In addition, because each underlying index must close above its initial index value on a monthly redemption determination date in order for the securities to be called prior to maturity, the securities are less likely to be called on any early redemption date than if the securities were linked to just one underlying index.

Morgan Stanley Finance LLC

Contingent Income Buffered Auto-Callable Securities due December 9, 2021, with 1-Year Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Russell 2000® Index and the S&P 500® Index

Principal at Risk Securities

**The contingent monthly coupon, if any, is based on the value of each underlying index on only the related monthly observation date at the end of the related interest period.** Whether the contingent monthly coupon will be paid on any coupon payment date will be determined at the end of the relevant interest period based on the index closing value of each underlying index on the relevant monthly observation date. As a result, you will not know whether you will receive the contingent monthly coupon on any coupon payment date until near the end of the § relevant interest period. Moreover, because the contingent monthly coupon is based solely on the value of each underlying index on monthly observation dates, if the index closing value of either underlying index on any observation date is below the coupon threshold level for such index, you will not receive the contingent monthly coupon for the related interest period, even if the level of such underlying index was at or above its respective coupon threshold level on other days during that interest period, and even if the index closing value of the other underlying index is at or above its respective coupon threshold level.

**Investors will not participate in any appreciation in either underlying index.** Investors will not participate in any appreciation in either underlying index from the initial index value for such index, and the return on the § securities will be limited to the contingent monthly coupons, if any, that are paid with respect to each observation date on which the index closing value of each underlying index is greater than or equal to its respective coupon threshold level, 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 value of each underlying index on any day, including in relation to its respective coupon threshold level and initial index value, 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 volatility (frequency and magnitude of changes in value) of the underlying indices,

o whether the index closing value of either underlying index has been below its respective coupon threshold level on any observation date,

o geopolitical conditions and economic, financial, political, regulatory or judicial events that affect the component ostocks of the underlying indices or securities markets generally and which may affect the value of each underlying index,

- o dividend rates on the securities underlying the underlying indices,

- o the time remaining until the securities mature,

- o interest and yield rates in the market,
- o the availability of comparable instruments,
- o the composition of the underlying indices and changes in the constituent stocks of such indices, 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. In particular, if either underlying index has closed near or below its coupon threshold level, the market value of the securities is expected to decrease substantially, and you may have to sell your securities at a substantial discount from the stated principal amount of \$1,000 per security.

You cannot predict the future performance of either underlying index based on its historical performance. The value of either underlying index may decrease and be below the respective coupon threshold level for such index on each observation date so that you will receive no return on your investment, and either or both of the underlying indices may decrease by more than the buffer amount of 25% from the respective initial index value on the final observation date so that you will lose some or all of your initial investment in the securities. There can be no assurance that the index closing value of each underlying index will be at or above the respective coupon threshold level on any observation date so that you will receive a coupon payment on the securities for the applicable interest period, or that they will not have declined by more than the buffer amount of 25% from their respective initial index values on the final observation date

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so that you do not suffer a loss on your initial investment in the securities. See “Russell 2000<sup>®</sup> Index Overview” and “S&P 500<sup>®</sup> Index 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 at maturity, upon early redemption or on any coupon payment date, 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 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.

**The securities are linked to the Russell 2000<sup>®</sup> Index and are subject to risks associated with small-capitalization companies.** As the Russell 2000<sup>®</sup> Index is one of the underlying indices, and the Russell 2000<sup>®</sup> Index consists of stocks issued by companies with relatively small market capitalization, the securities are linked to the value of small-capitalization companies. These companies often have greater stock price volatility, lower trading volume and less liquidity than large-capitalization companies and therefore the Russell 2000<sup>®</sup> Index may be more volatile than indices that consist of stocks issued by large-capitalization companies. Stock prices of § small-capitalization companies are also more vulnerable than those of large-capitalization companies to adverse business and economic developments, and the stocks of small-capitalization companies may be thinly traded. In addition, small capitalization companies are typically less well-established and less stable financially than large-capitalization companies and may depend on a small number of key personnel, making them more vulnerable to loss of personnel. Such companies tend to have smaller revenues, less diverse product lines, smaller shares of their product or service markets, fewer financial resources and less competitive strengths than large-capitalization companies and are more susceptible to adverse developments related to their products.



**Not equivalent to investing in the underlying indices.** Investing in the securities is not equivalent to investing in either underlying index or the component stocks of either underlying index. Investors in the securities will not participate in any positive performance of either underlying index, and will not have voting rights or rights to receive dividends or other distributions or any other rights with respect to stocks that constitute either underlying index.

**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 monthly 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 year of the term of the securities.

**The securities will not be listed on any securities exchange and secondary trading may be limited. 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

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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. 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 indices, 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 notes 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 indices or their component stocks), including trading in the stocks that constitute the underlying indices as well as in other instruments related to the underlying indices. 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. Some of our affiliates also trade the stocks that constitute the underlying indices and other financial instruments related to the underlying indices on a regular basis as part of their general broker-dealer and other businesses. Any of these hedging or trading activities on or prior to the pricing date could potentially increase the initial index value of an underlying index, and, therefore, could increase (i) the level at or above which such underlying index must close on any redemption determination date so that the securities are redeemed prior to maturity for the early redemption payment (depending also on the performance of the other underlying index), (ii) the level at or above which such underlying index must close

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on each observation date in order for you to earn a contingent monthly coupon (depending also on the performance of the other underlying index) and (iii) the level at or above which such underlying index must close on the final observation date so that you are not exposed to the negative performance of the worst performing underlying index at maturity (depending also on the performance of the other underlying index). Additionally, such hedging or trading activities during the term of the securities could affect the value of an underlying index on the redemption determination dates and the observation dates, and, accordingly, whether we redeem the securities prior to maturity, whether we pay a contingent monthly coupon on the securities and the amount of cash you receive at maturity, if any (depending also on the performance of the other underlying index).

**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 index values and the coupon threshold levels, whether you receive a contingent monthly coupon on each coupon payment date and/or at maturity, whether the securities will be redeemed on any early redemption date and the payment at maturity, if any. 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 the selection of a successor index or calculation of the index closing value in the event of a market disruption event or discontinuance of an underlying index. These potentially subjective determinations may adversely affect the payout to you at maturity, if any. For further information regarding these types of determinations, see "Description of Auto-Callable Securities—Postponement of Determination Dates," "—Alternate Exchange Calculation in Case of an Event of Default," "—Discontinuance of Any Underlying Index; Alternation of Method of Calculation" and "—Calculation Agent and Calculations" in the accompanying product supplement. In addition, MS & Co. has determined the estimated value of the securities on the pricing date.

**Adjustments to the underlying indices could adversely affect the value of the securities.** The publisher of each underlying index may add, delete or substitute the component stocks of such underlying index or make other methodological changes that could change the value of such underlying index. Any of these actions could adversely affect the value of the securities. The publisher of each underlying index may also discontinue or suspend calculation or publication of such underlying index at any time. In these circumstances, MS & Co., as the calculation agent, will have the sole discretion to substitute a successor index that is comparable to the discontinued index. MS & Co. could have an economic interest that is different than that of investors in the securities insofar as, § for example, MS & Co. is permitted to consider indices that are calculated and published by MS & Co. or any of its affiliates. If MS & Co. determines that there is no appropriate successor index on any observation date, the determination of whether a contingent monthly coupon will be payable on the securities on the applicable coupon payment date, whether the securities will be redeemed and/or the amount payable at maturity, if any, will be based on the value of such underlying index, based on the closing prices of the stocks constituting such underlying index at the time of such discontinuance, without rebalancing or substitution, computed by MS & Co. as calculation agent in accordance with the formula for calculating such underlying index last in effect prior to such discontinuance, as compared to the relevant initial index value or coupon threshold level, as applicable (depending also on the performance of the other underlying index).

§

**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 Information—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

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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-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.

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Russell 2000® Index Overview

The Russell 2000® Index is an index calculated, published and disseminated by FTSE Russell, and measures the composite price performance of stocks of 2,000 companies incorporated in the U.S. and its territories. All 2,000 stocks are traded on a major U.S. exchange and are the 2,000 smallest securities that form the Russell 3000® Index. The Russell 3000® Index is composed of the 3,000 largest U.S. companies as determined by market capitalization and represents approximately 98% of the U.S. equity market. The Russell 2000® Index consists of the smallest 2,000 companies included in the Russell 3000® Index and represents a small portion of the total market capitalization of the Russell 3000® Index. The Russell 2000® Index is designed to track the performance of the small capitalization segment of the U.S. equity market. For additional information about the Russell 2000® Index, see the information set forth under “Russell 2000® Index” in the accompanying index supplement.

Information as of market close on December 4, 2018:

<b>Bloomberg Ticker Symbol:</b>	RTY	<b>52 Week High (on 8/31/2018):</b>	1,740.753
<b>Current Index Value:</b>	1,480.751	<b>52 Week Low (on 2/8/2018):</b>	1,463.793
<b>52 Weeks Ago:</b>	1,532.414		

The following graph sets forth the daily index closing values of the RTY Index for the period from January 1, 2013 through December 4, 2018. The related table sets forth the published high and low index closing values, as well as end-of-quarter index closing values, of the RTY Index for each quarter for the period from January 1, 2013 through December 4, 2018. The index closing value of the RTY Index on December 4, 2018 was 1,480.751. We obtained the information in the table below from Bloomberg Financial Markets, without independent verification. The RTY Index has experienced periods of high volatility, and you should not take the historical values of the RTY Index as an indication of its future performance.

### RTY Index Daily Index Closing Values

#### January 1, 2013 to December 4, 2018

\* The red line in the graph indicates the hypothetical coupon threshold level, assuming the index closing value on December 4, 2018 were the initial index value.

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## Principal at Risk Securities

<b>Russell 2000® Index</b>	<b>High</b>	<b>Low</b>	<b>Period End</b>
<b>2013</b>			
First Quarter	953.068	872.605	951.542
Second Quarter	999.985	901.513	977.475
Third Quarter	1,078.409	989.535	1,073.786
Fourth Quarter	1,163.637	1,043.459	1,163.637
<b>2014</b>			
First Quarter	1,208.651	1,093.594	1,173.038
Second Quarter	1,192.964	1,095.986	1,192.964
Third Quarter	1,208.150	1,101.676	1,101.676
Fourth Quarter	1,219.109	1,049.303	1,204.696
<b>2015</b>			
First Quarter	1,266.373	1,154.709	1,252.772
Second Quarter	1,295.799	1,215.417	1,253.947
Third Quarter	1,273.328	1,083.907	1,100.688
Fourth Quarter	1,204.159	1,097.552	1,135.889
<b>2016</b>			
First Quarter	1,114.028	953.715	1,114.028
Second Quarter	1,188.954	1,089.646	1,151.923
Third Quarter	1,263.438	1,139.453	1,251.646
Fourth Quarter	1,388.073	1,156.885	1,357.130
<b>2017</b>			
First Quarter	1,413.635	1,345.598	1,385.920
Second Quarter	1,425.985	1,345.244	1,415.359
Third Quarter	1,490.861	1,356.905	1,490.861
Fourth Quarter	1,548.926	1,464.095	1,535.511
<b>2018</b>			
First Quarter	1,610.706	1,463.793	1,529.427
Second Quarter	1,706.985	1,492.531	1,643.069
Third Quarter	1,740.753	1,653.132	1,696.571
Fourth Quarter (through December 4, 2018)	1,672.992	1,468.698	1,480.751

The “Russell 2000® Index” is a trademark of FTSE Russell. For more information, see “Russell 2000® Index” in the accompanying index supplement.



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The S&P 500® Index Overview

The S&P 500® Index, which is calculated, maintained and published by S&P Dow Jones Indices LLC (“S&P”), consists of stocks of 500 component companies selected to provide a performance benchmark for the U.S. equity markets. The calculation of the S&P 500® Index is based on the relative value of the float adjusted aggregate market capitalization of the 500 component companies as of a particular time as compared to the aggregate average market capitalization of 500 similar companies during the base period of the years 1941 through 1943. For additional information about the S&P 500® Index, see the information set forth under “S&P 500® Index” in the accompanying index supplement.

Information as of market close on December 4, 2018:

<b>Bloomberg Ticker Symbol:</b>	SPX	<b>52 Week High (on 9/20/2018):</b>	2,930.75
<b>Current Index Value:</b>	2,700.06	<b>52 Week Low (on 2/8/2018):</b>	2,581.00
<b>52 Weeks Ago:</b>	2,639.44		

The following graph sets forth the daily index closing values of the SPX Index for in the period from January 1, 2013 through December 4, 2018. The related table sets forth the published high and low index closing values, as well as end-of-quarter index closing values, of the SPX Index for each quarter for the period from January 1, 2013 to December 4, 2018. The index closing value of the SPX Index on December 4, 2018 was 2,700.06. We obtained the information in the table and graph below from Bloomberg Financial Markets, without independent verification. The SPX Index has at times experienced periods of high volatility, and you should not take the historical values of the SPX Index as an indication of its future performance.

### SPX Index Daily Index Closing Values

#### January 1, 2013 to December 4, 2018

*\* The red line in the graph indicates the hypothetical coupon threshold level, assuming the index closing value on December 4, 2018 were the initial index value.*

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<b>S&amp;P 500® Index</b>	<b>High</b>	<b>Low</b>	<b>Period End</b>
<b>2013</b>			
First Quarter	1,569.19	1,457.15	1,569.19
Second Quarter	1,669.16	1,541.61	1,606.28
Third Quarter	1,725.52	1,614.08	1,681.55
Fourth Quarter	1,848.36	1,655.45	1,848.36
<b>2014</b>			
First Quarter	1,878.04	1,741.89	1,872.34
Second Quarter	1,962.87	1,815.69	1,960.23
Third Quarter	2,011.36	1,909.57	1,972.29
Fourth Quarter	2,090.57	1,862.49	2,058.90
<b>2015</b>			
First Quarter	2,117.39	1,992.67	2,067.89
Second Quarter	2,130.82	2,057.64	2,063.11
Third Quarter	2,128.28	1,867.61	1,920.03
Fourth Quarter	2,109.79	1,923.82	2,043.94
<b>2016</b>			
First Quarter	2,063.95	1,829.08	2,059.74
Second Quarter	2,119.12	2,000.54	2,098.86
Third Quarter	2,190.15	2,088.55	2,168.27
Fourth Quarter	2,271.72	2,085.18	2,238.83
<b>2017</b>			
First Quarter	2,395.96	2,257.83	2,362.72
Second Quarter	2,453.46	2,328.95	2,423.41
Third Quarter	2,519.36	2,409.75	2,519.36
Fourth Quarter	2,690.16	2,529.12	2,673.61
<b>2018</b>			
First Quarter	2,872.87	2,581.00	2,640.87
Second Quarter	2,786.85	2,581.88	2,718.37
Third Quarter	2,930.75	2,713.22	2,913.98
Fourth Quarter (through December 4, 2018)	2,925.51	2,632.56	2,700.06

“Standard & Poor®,” “S&P,” “S&P 500” “Standard & Poor’s 500” and “500” are trademarks of Standard and Poor’s Financial Services LLC. See “S&P 500® Index” in the accompanying index supplement.

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Additional Terms of the Securities

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

**Additional Terms:**

If the terms described herein are inconsistent with those described in the accompanying product supplement, index supplement or prospectus, the terms described herein shall control.

**Underlying index** With respect to the RTY Index, FTSE Russell or any successor thereof

**publishers:** With respect to the SPX Index, S&P Dow Jones Indices LLC or any successor thereof

**Interest period:** The monthly period from and including the original issue date (in the case of the first interest period) or the previous scheduled coupon payment date, as applicable, to but excluding the following scheduled coupon payment date, with no adjustment for any postponement thereof.

**Record date:** 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 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.

**Day count convention:** Interest will be computed on the basis of a 360-day year of twelve 30-day months.

**Postponement of coupon payment dates (including the maturity date) and early redemption dates:** If any observation date or redemption determination date is postponed due to a non-index business day or certain market disruption events 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 or early redemption payment made on that postponed date.

**Denominations:** \$1,000 per security and integral multiples thereof

**Trustee:** The Bank of New York Mellon

**Calculation agent:** MS & Co.

**Issuer notices to registered security holders, the trustee and the depository:** In the event that the maturity date is postponed due to postponement of the final observation date, the issuer shall give notice of such postponement and, once it has been determined, of the date to which the maturity date has been rescheduled (i) to each registered holder of the securities by mailing notice of such postponement by first class mail, postage prepaid, to such registered holder's last address as it shall appear upon the registry books, (ii) to the trustee by facsimile, confirmed by mailing such notice to the trustee by first class mail, postage prepaid, at its New York office and (iii) to The Depository Trust Company (the "depository") by telephone or facsimile confirmed by mailing such notice to the depository by first class mail, postage prepaid. Any notice that is mailed to a registered holder of the securities in the manner herein provided shall be conclusively presumed to have been duly given to such registered holder, whether or not such registered holder receives the notice. The issuer shall give such notice as promptly as possible, and in no case later than (i) with respect to notice of postponement of the

maturity date, the business day immediately preceding the scheduled maturity date and (ii) with respect to notice of the date to which the maturity date has been rescheduled, the business day immediately following the final observation date as postponed.

In the event that the securities are subject to early redemption, the issuer shall, (i) on the business day following the applicable determination date, give notice of the early redemption and the early redemption payment, including specifying the payment date of the amount due upon the early redemption, (x) to each registered holder of the securities by mailing notice of such early redemption by first class mail, postage prepaid, to such registered holder's last address as it shall appear upon the registry books, (y) to the trustee by facsimile confirmed by mailing such notice to the trustee by first class mail, postage prepaid, at its New York office and (z) to the depositary by telephone or facsimile confirmed by mailing such notice to the depositary by first class mail, postage prepaid, and (ii) on or prior to the early redemption date, deliver the aggregate cash amount due with respect to the securities to the trustee for delivery to the depositary, as holder of the securities. Any notice that is mailed to a registered holder of the securities in the manner herein provided shall be conclusively presumed to have been duly given to such registered holder, whether or not such registered holder receives the notice. This notice shall be given by the issuer or, at the issuer's request, by the trustee in the name and at the expense of the issuer, with any such request to be accompanied by a copy of the notice to be given.

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The issuer shall, or shall cause the calculation agent to, (i) provide written notice to the trustee, on which notice the trustee may conclusively rely, and to the depositary of the amount of cash to be delivered as contingent monthly coupon, if any, with respect to each security on or prior to 10:30 a.m. (New York City time) on the business day preceding each coupon payment date, and (ii) deliver the aggregate cash amount due, if any, with respect to the contingent monthly coupon to the trustee for delivery to the depositary, as holder of the securities, on the applicable coupon payment date.

The issuer shall, or shall cause the calculation agent to, (i) provide written notice to the trustee, on which notice the trustee may conclusively rely, and to the depositary of the amount of cash to be delivered with respect to each stated principal amount of the securities, on or prior to 10:30 a.m. (New York City time) on the business day preceding the maturity date, and (ii) deliver the aggregate cash amount due with respect to the securities to the trustee for delivery to the depositary, as holder of the securities, on the maturity date.

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Additional Information About the Securities

**Additional Information:**

**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 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

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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.

*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

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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 filed with the IRS in connection with payments on the securities and the payment of proceeds from a sale, exchange or other disposition of the securities, unless the U.S. Holder provides proof of an applicable exemption from the information reporting rules.

## **Tax Consequences to Non-U.S. Holders**

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

- an individual who is classified as a nonresident alien;
- a foreign corporation; or
- a foreign estate or trust.

The term “Non-U.S. Holder” does not include any of the following holders:

- a holder who is an individual present in the United States for 183 days or more in the taxable year of disposition and who is not otherwise a resident of the United States for U.S. federal income tax purposes;
- certain former citizens or residents of the United States; or
- a holder for whom income or gain in respect of the securities is effectively

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connected with the conduct of a trade or business in the United States.

Such holders should consult their tax advisers regarding the U.S. federal income tax consequences of an investment in the securities.

Although significant aspects of the tax treatment of each security are uncertain, we intend to withhold on any coupon paid to a Non-U.S. Holder 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. We will not be required to pay any additional amounts with respect to amounts withheld. In order to claim an exemption from, or a reduction in, the 30% withholding tax, a Non-U.S. Holder of the securities must comply with certification requirements to establish that it is not a U.S. person and is eligible for such an exemption or reduction under an applicable tax treaty. If you are a Non-U.S. Holder, you should consult your tax adviser regarding the tax treatment of the securities, including the possibility of obtaining a refund of any withholding tax and the certification requirement described above.

### ***Section 871(m) Withholding Tax on Dividend Equivalents***

Section 871(m) of the Code and Treasury regulations promulgated thereunder (“Section 871(m)”) generally impose a 30% (or a lower applicable treaty rate) withholding tax on dividend equivalents paid or deemed paid to Non-U.S. Holders with respect to certain financial instruments linked to U.S. equities or indices that include U.S. equities (each, an “Underlying Security”). Subject to certain exceptions, Section 871(m) generally applies to securities that substantially replicate the economic performance of one or more Underlying Securities, as determined based on tests set forth in the applicable Treasury regulations (a “Specified Security”). However, pursuant to an IRS notice, Section 871(m) will not apply to securities issued before January 1, 2021 that do not have a delta of one with respect to any Underlying Security. Based on our determination that the securities do not have a delta of one with respect to any Underlying Security, our counsel is of the opinion that the securities should not be Specified Securities and, therefore, should not be subject to Section 871(m).

Our determination is not binding on the IRS, and the IRS may disagree with this determination. Section 871(m) is complex and its application may depend on your particular circumstances, including whether you enter into other transactions with respect to an Underlying Security. If Section 871(m) withholding is required, we will not be required to pay any additional amounts with respect to the amounts so withheld. You should consult your tax adviser regarding the potential application of Section 871(m) to the securities.

***U.S. Federal Estate Tax***

Individual Non-U.S. Holders and entities the property of which is potentially includible in such an individual's gross estate for U.S. federal estate tax purposes (for example, a trust funded by such an individual and with respect to which the individual has retained certain interests or powers) should note that, absent an applicable treaty exemption, the securities may be treated as U.S.-situs property subject to U.S. federal estate tax. Prospective investors that are non-U.S. individuals, or are entities of the type described above, should consult their tax advisers regarding the U.S. federal estate tax consequences of an investment in the securities.

***Backup Withholding and Information Reporting***

Information returns will be filed with the IRS in connection with any coupon payment and may be filed with the IRS in connection with the payment at maturity on the securities and the payment of proceeds from a sale, exchange or other disposition. A Non-U.S. Holder may be subject to backup withholding in respect of amounts paid to the Non-U.S. Holder, unless such Non-U.S. Holder complies with certification procedures to establish that it is not a U.S. person for U.S. federal income tax purposes or otherwise establishes an exemption. The amount of any backup withholding from a payment to a Non-U.S. Holder will be allowed as a credit against the Non-U.S. Holder's U.S. federal income tax liability and may entitle the Non-U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

**FATCA**

Legislation commonly referred to as "FATCA" generally imposes a withholding tax of 30% on payments to certain non-U.S. entities (including financial intermediaries) with respect to certain

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financial instruments, unless various U.S. information reporting and due diligence requirements have been satisfied. An intergovernmental agreement between the United States and the non-U.S. entity's jurisdiction may modify these requirements. FATCA generally applies to certain financial instruments that are treated as paying U.S.-source interest or other U.S.-source "fixed or determinable annual or periodical" income ("FDAP income"). Withholding (if applicable) applies to payments of U.S.-source FDAP income and, for dispositions after December 31, 2018, to payments of gross proceeds of the disposition (including upon retirement) of certain financial instruments treated as providing for U.S.-source interest or dividends. While the treatment of the securities is unclear, you should assume that any coupon payment with respect to the securities will be subject to the FATCA rules. It is also possible in light of this uncertainty that an applicable withholding agent will treat gross proceeds of a disposition (including upon retirement) of the securities after 2018 as being subject to the FATCA rules. If withholding applies to the securities, we will not be required to pay any additional amounts with respect to amounts withheld. Both U.S. and Non-U.S. Holders should consult their tax advisers regarding the potential application of FATCA to the securities.

**The discussion in the preceding paragraphs, insofar as it purports to describe provisions of U.S. federal income tax laws or legal conclusions with respect thereto, constitutes the full opinion of Davis Polk & Wardwell LLP regarding the material U.S. federal tax consequences of an investment in the securities.**

**Use of proceeds and hedging:** The proceeds from the sale of the securities will be used by us for general corporate purposes. We will receive, in aggregate, \$1,000 per security issued, because, when we enter into hedging transactions in order to meet our obligations under the securities, our hedging counterparty will reimburse the cost of the agent's commissions. The costs of the securities borne by you and described beginning on page 5 above comprise the agent's commissions and the cost of issuing, structuring and hedging the securities.

On or prior to the pricing date, we expect to hedge our anticipated exposure in connection with the securities by entering into hedging transactions with our affiliates and/or third party dealers. We expect our hedging counterparties to take positions in the stocks constituting the underlying indices, in futures and/or options contracts on the underlying indices or the component stocks of the underlying indices listed on major securities markets, or positions in any other available securities or instruments that they may wish to use in connection with such hedging. Such purchase activity could potentially increase the initial index value of an underlying index, and, as a result, could increase (i) the level at or above which such underlying index must close on any redemption determination date so that the securities are redeemed prior to maturity for the early redemption payment (depending also on the performance of the other underlying index), (ii) the level at or above which such underlying index must close on each observation date in order for you to earn a contingent monthly coupon (depending also on the performance of the other underlying index) and (iii) the level at or above which such underlying index must close on the final observation date so that you are not exposed to the negative performance of the worst performing underlying index at maturity (depending also on the performance of the other underlying index). 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. Additionally, our hedging activities, as well as our other trading activities, during the term of the securities could potentially affect the value of an underlying index on the redemption determination dates and observation dates, and, accordingly, whether we redeem the securities prior to maturity, whether we pay a contingent monthly coupon on the securities and the amount of cash you receive at maturity, if any (depending also on the performance of the other underlying index). Each fiduciary of a pension, profit-sharing or other employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) (a “Plan”), should consider the fiduciary standards of ERISA in the context of the Plan’s particular circumstances before authorizing an investment in the securities. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the Plan.

**Benefit plan  
investor  
considerations:**

In addition, we and certain of our affiliates, including MS & Co., may each be considered a “party in interest” within the meaning of ERISA, or a “disqualified person” within the meaning of the Internal Revenue Code of 1986, as amended (the “Code”), with respect to many Plans,

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as well as many individual retirement accounts and Keogh plans (such accounts and plans, together with other plans, accounts and arrangements subject to Section 4975 of the Code, also “Plans”). ERISA Section 406 and Code Section 4975 generally prohibit transactions between Plans and parties in interest or disqualified persons. Prohibited transactions within the meaning of ERISA or the Code would likely arise, for example, if the securities are acquired by or with the assets of a Plan with respect to which MS & Co. or any of its affiliates is a service provider or other party in interest, unless the securities are acquired pursuant to an exemption from the “prohibited transaction” rules. A violation of these “prohibited transaction” rules could result in an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for such persons, unless exemptive relief is available under an applicable statutory or administrative exemption.

The U.S. Department of Labor has issued five prohibited transaction class exemptions (“PTCEs”) that may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the securities. Those class exemptions are PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts) and PTCE 84-14 (for certain transactions determined by independent qualified professional asset managers). In addition, ERISA Section 408(b)(17) and Code Section 4975(d)(20) provide an exemption for the purchase and sale of securities and the related lending transactions, *provided* that neither the issuer of the securities nor any of its affiliates has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of the Plan involved in the transaction and *provided further* that the Plan pays no more, and receives no less, than “adequate consideration” in connection with the transaction (the so-called “service provider” exemption). There can be no assurance that any of these class or statutory exemptions will be available with respect to transactions involving the securities.

Because we may be considered a party in interest with respect to many Plans, the securities may not be purchased, held or disposed of by any Plan, any entity whose underlying assets include “plan assets” by reason of any Plan’s investment in the entity (a “Plan Asset Entity”) or any person investing “plan assets” of any Plan, unless such purchase, holding or disposition is eligible for exemptive relief, including relief available under PTCEs 96-23, 95-60, 91-38, 90-1, 84-14 or the service provider exemption or such purchase, holding or disposition is otherwise not prohibited. Any purchaser, including any fiduciary purchasing on behalf of a Plan, transferee or holder of the securities will be deemed to have represented, in its corporate and its fiduciary capacity, by its purchase and holding of the securities that either (a) it is not a Plan or a Plan Asset Entity and is not purchasing such securities on behalf of or with “plan assets” of any Plan or with any assets of a governmental, non-U.S. or church plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code (“Similar Law”) or (b) its purchase, holding and disposition of these securities will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violate any Similar Law.



Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the securities on behalf of or with “plan assets” of any Plan consult with their counsel regarding the availability of exemptive relief.

The securities are contractual financial instruments. The financial exposure provided by the securities is not a substitute or proxy for, and is not intended as a substitute or proxy for, individualized investment management or advice for the benefit of any purchaser or holder of the securities. The securities have not been designed and will not be administered in a manner intended to reflect the individualized needs and objectives of any purchaser or holder of the securities.

Each purchaser or holder of any securities acknowledges and agrees that:

(i)

the purchaser or holder or its fiduciary has made and shall make all investment decisions for the purchaser or holder and the purchaser or holder has not relied and shall not rely in any way upon us or our affiliates to act as a fiduciary or adviser of the purchaser or holder with respect to (A) the design and terms of the securities, (B)

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the purchaser or holder's investment in the securities, or (C) the exercise of or failure to exercise any rights we have under or with respect to the securities;

(ii)

we and our affiliates have acted and will act solely for our own account in connection with (A) all transactions relating to the securities and (B) all hedging transactions in connection with our obligations under the securities;

(iii)

any and all assets and positions relating to hedging transactions by us or our affiliates are assets and positions of those entities and are not assets and positions held for the benefit of the purchaser or holder;

(iv)

our interests are adverse to the interests of the purchaser or holder; and

(v)

neither we nor any of our affiliates is a fiduciary or adviser of the purchaser or holder in connection with any such assets, positions or transactions, and any information that we or any of our affiliates may provide is not intended to be impartial investment advice.

Each purchaser and holder of the securities has exclusive responsibility for ensuring that its purchase, holding and disposition of the securities do not violate the prohibited transaction rules of ERISA or the Code or any Similar Law. The sale of any securities to any Plan or plan subject to Similar Law is in no respect a representation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by plans generally or any particular plan, or that such an investment is appropriate for plans generally or any particular plan. In this regard, neither this discussion nor anything provided in this document is or is intended to be investment advice directed at any potential Plan purchaser or at Plan purchasers generally and such purchasers of these securities should consult and rely on their own counsel and advisers as to whether an investment in these securities is suitable.

However, individual retirement accounts, individual retirement annuities and Keogh plans, as well as employee benefit plans that permit participants to direct the investment of their accounts, will not be permitted to purchase or hold the securities if the account, plan or annuity is for the benefit of an employee of Morgan Stanley, Morgan Stanley Wealth Management or a family member and the employee receives any compensation (such as, for example, an addition to bonus) based on the purchase of the securities by the account, plan or annuity.

**Additional considerations:**

Client accounts over which Morgan Stanley, Morgan Stanley Wealth Management or any of their respective subsidiaries have investment discretion are **not** permitted to purchase the securities, either directly or indirectly.

Selected dealers, which may include our affiliates, and their financial advisors will collectively receive from the agent a fixed sales commission of \$1 for each security they sell.

**Supplemental information regarding plan of distribution; conflicts of interest:**

MS & Co. is an affiliate of MSFL and a wholly owned subsidiary of Morgan Stanley, and it and other affiliates of ours expect to make a profit by selling, structuring and, when applicable, hedging the securities. When MS & Co. prices this offering of securities, it will determine the economic terms of the securities such that for each security the estimated value on the pricing date will be no lower than the minimum level described in “Investment Summary” beginning on page 4.

**Contact:**

MS & Co. will conduct this offering in compliance with the requirements of FINRA Rule 5121 of the Financial Industry Regulatory Authority, Inc., which is commonly referred to as FINRA, regarding a FINRA member firm’s distribution of the securities of an affiliate and related conflicts of interest. MS & Co. or any of our other affiliates may not make sales in this offering to any discretionary account. See “Plan of Distribution (Conflicts of Interest)” and “Use of Proceeds and Hedging” in the accompanying product supplement for auto-callable securities. Morgan Stanley clients may contact their local Morgan Stanley branch office or Morgan Stanley’s principal executive offices at 1585 Broadway, New York, New York 10036 (telephone number (866) 477-4776). All other clients may contact their local brokerage representative. Third-party distributors may contact Morgan Stanley Structured Investment Sales at (800) 233-1087.

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Morgan Stanley and MSFL have filed a registration statement (including a prospectus, as supplemented by the product supplement for auto-callable securities and the index supplement) with the Securities and Exchange Commission, or SEC, for the offering to which this communication relates. You should read the prospectus in that registration statement, the product supplement for auto-callable securities, the index supplement and any other documents relating to this offering that Morgan Stanley and MSFL have filed with the SEC for more complete information about Morgan Stanley, MSFL and this offering. You may get these documents without cost by visiting EDGAR on the SEC web site at [www.sec.gov](http://www.sec.gov). Alternatively, Morgan Stanley, MSFL, any underwriter or any dealer participating in the offering will arrange to send you the prospectus, the product supplement for auto-callable securities and the index supplement if you so request by calling toll-free 1-(800)-584-6837.

**Where you can  
find more  
information:**

You may access these documents on the SEC web site at [www.sec.gov](http://www.sec.gov) as follows:

**[Product Supplement for Auto-Callable Securities dated November 16, 2017](#)**

**[Index Supplement dated November 16, 2017](#)**

**[Prospectus dated November 16, 2017](#)**

Terms used but not defined in this document are defined in the product supplement for auto-callable securities, in the index supplement or in the prospectus.