

## 5 YEAR NOK WORST OF PHOENIX AUTOCALLABLE NOTE LINKED TO A EUROPEAN SHARE BASKET

### Indicative Terms and Conditions

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

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

PRIVATE PLACEMENT ONLY. NOT FOR DISTRIBUTION TO U.S. INVESTORS. NO ONWARD DISTRIBUTION EXCEPT IN ACCORDANCE WITH THE RELEVANT PRIVATE PLACEMENT RESTRICTIONS

This Term Sheet is a summary of the terms of the Securities. The terms and conditions will be set out in the Pricing Supplement which must be read in conjunction with the Offering Circular dated 17 August 2015, as Supplemented on 30 November 2015, 23 December 2015 and 14 April 2016, and 29 April 2016. Copies of the Pricing Supplement and the Offering Circular are available from the Issuer and the Dealer. Terms used but not defined herein are as defined in the Offering Circular.

### PRODUCT DESCRIPTION

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

If, on any of the Observation Dates, each Underlying is equal to or above the Early Redemption Level, the Securities will automatically terminate and the investor will receive the Early Redemption Amount.

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

PRODUCT DETAILS:		DATES:	
Type	Note	Trade Date	30 Jun 2016
Issue Price	100	Strike Date	01 Jul 2016
Principal	NOK 10,000,000	Issue Date	12 Jul 2016
Settlement Currency	NOK	Determination Date	01 Jul 2021
Denomination (Par)	NOK 10,000	Maturity Date	12 Jul 2021
Minimum Investment Amount	NOK 200,000	ISIN	XS1374818554

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<b>UNDERLYING :</b>						
<b>i</b>	<b>Name</b>	<b>BBG Code</b>	<b>Underlying Currency</b>	<b>Underlying Type</b>	<b>Initial Reference Price (i)</b>	<b>Risk Barrier Level(i) as % of Initial Reference Price(i)</b>
1	ASTRAZENE CA	AZN SS Equity	SEK	STOCK	Official Closing Price (i) on Strike Date	60%
2	BAYER AG	BAYN GY Equity	EUR	STOCK	Official Closing Price (i) on Strike Date	60%
3	NORSK HYDRO	NHY NO Equity	NOK	STOCK	Official Closing Price (i) on Strike Date	60%
4	TGS NOPEC	TGS NO Equity	NOK	STOCK	Official Closing Price (i) on Strike Date	60%

<b>GENERAL INFORMATION:</b>	
<b>Issuer</b>	Morgan Stanley & Co. International Plc
<b>Issuer Rating</b>	A (S&P), A1 (Moody's)
<b>Dealer and Determination Agent</b>	Morgan Stanley & Co International Plc
<b>Distributor/Sales Intermediary</b>	Mangold-Stockholm
<b>Issuing and Paying Agent</b>	Bank of New York Mellon, One Canada Square, London, E14 5AL, United Kingdom

<b>COUPON</b>	
<b>Coupon Payout</b>	<p>Until an Early Redemption Event occurs, on an Interest Determination Date <math>j</math>, an amount, paid on the relevant Interest Payment Date <math>j</math>, equal to:</p> <p>(i) If the official closing price of all Underlyings(i) are at or above the relevant Coupon Barrier(i),</p> $\text{Par} \times [\text{Coupon} \times j] - \text{Previously Paid Coupons}$ <p>(ii) Else, 0% of Par</p> <p>Where: Previously Paid Coupons means, in respect of an Interest Payment Date, the aggregate amount of all coupons (if any) paid on each Interest Payment Date preceding and excluding such Interest Payment Date.</p>
<b>Interest Determination / Payment Dates</b>	<p>Interest Determination Dates Monthly on the 1<sup>st</sup> from and including August 2016 (<math>j=1</math>) to and including the Determination Date (<math>j=60</math>). In total 60 observations, subject to adjustment if such date is not a Scheduled Trading Day or is a Disrupted Day</p> <p>Interest Payment Dates Seven (7) business days after each relevant Interest Observation Date</p>
<b>Coupon Barrier(i)</b>	80% of Initial Reference Price (i)
<b>Coupon <math>j</math></b>	Indicatively 1.70% p.m. with a minimum of 1.50% p.m.

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<b>EARLY REDEMPTION</b>	
<b>Early Redemption Event</b>	An Early Redemption Event occurs if on any Early Redemption Observation Date, the official closing price of all Underlyings(i) are at or above the relevant Autocall Level(i).
<b>Early Redemption Amount and Observation / Payment Dates</b>	<p>If, on an Early Redemption Observation Date, an Early Redemption Event occurs, then the Notes will be automatically early redeemed at the relevant Early Redemption Amount on the relevant Early Redemption Date.</p> <p>Early Redemption Observation Dates: Monthly on the 1<sup>st</sup> from and including July 2017 (n=12) to and including Determination Date (n=60), In total 49 observations, subject to adjustment if such date is not a Scheduled Trading Day or is a Disrupted Day</p> <p>Early Redemption Dates: Seven (7) business days after each relevant Early Redemption Observation Date</p>
<b>Early Redemption Amount</b>	100% of Par
<b>Autocall Level(i)</b>	90% of Initial Reference Price (i)
	For the avoidance of doubt, in case of any Early Redemption, a final interest amount (if any) shall be calculated in accordance with the Interest provision above and payable on the Early Redemption Date.

<b>FINAL REDEMPTION</b>	
<b>Formula</b>	<p>If there is no Early Redemption Event, on or prior to the Determination Date, an amount calculated by the Determination Agent as follows:</p> <p>(i) If on the Determination Date, the Final Reference Price of the Lowest Performing Underlying is at or greater than Risk Barrier Level: 100% of Par</p> <p>(ii) If on the Determination Date, the Final Reference Price of the Lowest Performing Underlying is less than Risk Barrier Level: Par * LPU</p>
<b>Final Reference Price(i)</b>	The official closing price of Underlying(i) on the Determination Date
<b>Initial Reference Price(i)</b>	The Initial Reference Price of Underlying(i) as stated in the table above
<b>Lowest Performing Underlying (LPU)</b>	<p>The Lowest Performing Underlying will be defined as the Underlying(i) which generates the lowest result from the following computation on the Determination Date:</p> <p>[Final Reference Price(i) / Initial Reference Price(i)]</p> <p>where i = 1 to 4</p> <p>If there is an equivalent result for more than one Underlying(i), the Lowest Performing Underlying shall be determined by the Determination Agent</p>

<b>FURTHER INFORMATION:</b>	
<b>Notices</b>	All notices concerning the Notes will be published on the internet on website <a href="http://www.morganstanleyiq.eu">www.morganstanleyiq.eu</a> or any successor website hereto

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<b>Maturity Date Adjustment</b>	The Maturity Date is subject to adjustment in accordance with the Business Day Convention (i) in the event such date is not a Business Day or (ii) such that the Maturity Date shall always be at least five (5) Business Days following the Determination Date
<b>Settlement Type</b>	Cash
<b>Business Days for Valuation Purposes</b>	a Scheduled Trading Day in respect of the Underlying(s)
<b>Business Days for Payment Purposes</b>	Oslo
<b>Business Days Convention</b>	Following, provided that the Maturity Date shall always be at least (5) Business Days following the Determination Date.
<b>Inconvertibility Event Provision</b>	Not Applicable
<b>Implementation of Financial Transaction Tax Event</b>	Applicable
<b>Market Making</b>	Under normal market conditions, and subject to applicable law and regulations and Morgan Stanley internal policy, Morgan Stanley & Co. International plc will use reasonable efforts to quote bid and offer prices. However, Morgan Stanley & Co. International plc will not be legally obliged to do so.
<b>Issuing and Paying Agent</b>	The Bank of New York
<b>Settlement</b>	Euroclear International
<b>Listing</b>	None
<b>SERIES ID</b>	[TBD]
<b>Form</b>	Registered
<b>Governing Law</b>	English Law

<b>ADJUSTMENT/EXTRAORDINARY EVENTS</b>	Merger Event, Tender Offer, Nationalization, Delisting and Insolvency
<b>ADDITIONAL DISRUPTION EVENT</b>	Change in Law, Hedging Disruption, Loss of Stock Borrow, Increased Cost of Hedging
<b>EARLY REDEMPTION AMOUNT UPON EVENT OF DEFAULT</b>	<p>If the Securities are accelerated following the occurrence of an Event of Default:</p> <p>Qualified Financial Institution Determination: an amount determined by the Determination Agent, acting in good faith and in a commercially reasonable manner, as at such date as is selected by the Determination Agent in its sole and absolute discretion (provided that such day is not more than 15 Business Days prior to the date fixed for redemption of the Securities) to be the amount that a Qualified Financial Institution would charge either (as specified in the applicable Pricing Supplement): (i) to assume all of the Issuer's payment and other obligations with respect to such Securities as if no such Event of Default had occurred or (ii) to undertake obligations that would have the effect of preserving the economic equivalent of any payment by the Issuer to the Security holders with respect to the Securities.</p>

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<b>INTERMEDIARY FEES</b>	In connection with the offer and sale of the Notes, the Issuer or the Dealer will pay to the Distributor a one time or recurring distribution fee. The total distribution fees payable, will not exceed 1.0% per annum. The investor acknowledges and agrees that such fees will be retained by the Distributor. Further information is available from the Distributor upon request.
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Any Intermediary based in the EEA is obliged to disclose to investors the existence, nature and amount of such commission or fee. Investors should ensure that they have been informed about any fee or commission arrangements by the Intermediary before making any purchase of the relevant securities. No fees or other remuneration can be paid to any intermediary in relation to any Securities purchased by a UK retail client who has received a personal recommendation from such intermediary to purchase the Securities and accordingly the Securities may not be offered or sold to UK retail clients in such circumstances.

## **RISK FACTORS**

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

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

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

**Basket Components Risk:** The Securities will be redeemed at an amount determined by reference to the performance of the Basket Components and such performance will therefore affect the nature and value of the investment return on the Securities. Security Holders and prospective purchasers of Securities should conduct their own investigations and, in deciding whether or not to purchase Securities, prospective purchasers should form their own views of the merits of an investment related to the Basket Components based upon such investigations and not in reliance on any information given in this document.

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

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

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

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

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

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

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

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

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

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

### **Selling Restrictions**

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

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

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

The Offering Circular and Pricing Supplement prepared by the Issuer or any of its affiliates in connection with the Securities shall not constitute a valid prospectus pursuant to Directive 2003/71/EC (as amended). Neither the Issuer nor any of its affiliates consent to, the use of the Offering Circular and the Pricing Supplement in connection with any on-selling of the Securities and each of the Issuer and its affiliates disclaims any liability in such circumstances.

### **Investor Representations**

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

- (i) you shall only distribute as principal or, alternatively, acting as an agent on behalf of your unnamed principals and will not do so as agent for any Morgan Stanley entity (together "Morgan Stanley") who shall assume no responsibility or liability whatsoever in relation to any such distribution. You shall distribute the product in your own name and to such customers as you identify in your own discretion, at your own risk and under your sole responsibility. You shall make such enquiries you deem relevant in order to satisfy yourself that the Securities are appropriate or suitable for each of the prospective investors and that the prospective investors (a) have the requisite capacity and authority to purchase the Security and (b) understand the risks and are capable of assessing and assuming the risks associated with an investment in the Security;
- (ii) you shall not make any representation or offer any warranty to investors regarding the Security, the Issuer or Morgan Stanley or make any use of the Issuer's or Morgan Stanley's name, brand or intellectual property which is not expressly authorized and you shall not represent you are acting as an agent of Morgan Stanley in such distribution. You acknowledge that neither the Issuer nor Morgan Stanley assume any responsibility or liability whatsoever in relation to any representation or warranty you make in breach hereof;

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- (iii) if you distribute any material prepared and transmitted by the Issuer or by Morgan Stanley, you shall only distribute the entire material and not parts thereof. Any material you, or any third party you engage on your behalf, prepare shall be true and accurate in all material respects and consistent in all material respects with the content of the Offering Circular and the Pricing Supplement and shall not contain any omissions that would make them misleading. You shall only prepare and distribute such material in accordance with all applicable laws, regulations, codes, directives, orders and/or regulatory requirements, rules and guidance in force from time to time ("Regulations"). You acknowledge that neither the Issuer nor Morgan Stanley shall have any liability in respect of such material which shall, for the avoidance of doubt, at all times be your sole responsibility;
- (iv) you will not, directly or indirectly, distribute or arrange the distribution of the product or disseminate or publish (which for the avoidance of doubt will include the dissemination of any such materials or information via the internet) any materials or carry out any type of solicitation in connection with the product in any country or jurisdiction, except under circumstances that will result in compliance with all applicable Regulations and selling practices, and will not give rise to any liability for the Issuer or Morgan Stanley. For the avoidance of doubt, this includes compliance with the selling restrictions mentioned herein and all applicable sanctions laws and programs, including without limitation the U.S. Department of Treasury's Office of Foreign Assets Control;
- (v) if you receive any fee, rebate or discount, you shall not be in breach of any Regulation or customer or contractual requirements or obligations and you shall, where required to do so (whether by any applicable Regulation, contract, fiduciary obligation or otherwise), disclose such fees, rebates and discounts to your investors. You acknowledge that where fees are payable, or rebates or discounts applied, the Issuer and Morgan Stanley are obliged to disclose the amounts and/or basis of such fees, rebates or discounts at the request of any of your investors or where required by any applicable Regulations. In relation to any Security issued pursuant to a personal recommendation to a retail client in the UK, you agree to be remunerated only by way of adviser charges which have been pre-agreed with the client and not to solicit or accept any third party commissions, remuneration or benefits of any kind in relation to such recommendation;
- (vi) you agree and undertake to indemnify and hold harmless and keep indemnified and held harmless the Issuer, the Dealer and each of their respective affiliates and their respective directors, officers and controlling persons from and against any and all losses, actions, claims, damages and liabilities (including without limitation any fines or penalties and any legal or other expenses incurred in connection with defending or investigating any such action or claim) caused directly or indirectly by you or any of your affiliates or agents to comply with any of the provisions set out in (i) to (v) above, or acting otherwise than as required or contemplated herein.

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

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

Name MANGOLD-STOCKHOLM

Signature \_\_\_\_\_

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

Acknowledged, agreed and accepted  
Morgan Stanley & Co. International plc

Name \_\_\_\_\_

Title \_\_\_\_\_

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

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To the extent there is any conflict between these representations and warranties and any terms included in a signed distribution agreement between us, the terms of such distribution agreement shall apply.

### **Important Information**

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

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

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