

Morgan Stanley

Important New Account Information

Please read this booklet carefully
and retain for your records

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General Information

This booklet contains important information regarding your account with Morgan Stanley Smith Barney LLC. We request that you carefully read this and all other documents provided to you by your Financial Advisor.

The agreements contained in this booklet, in conjunction with the Morgan Stanley Smith Barney LLC Client Agreement and all other applicable agreements govern your account(s) and your relationship with Morgan Stanley Smith Barney LLC.

References to "MSSB," "Morgan Stanley," "Morgan Stanley Wealth Management," "we," "us," or "our" refer to Morgan Stanley Smith Barney LLC.

The words "you," "your," "yours" and "client" refer to the account owner.

References in this booklet to "Financial Advisor" refer to either a Morgan Stanley Wealth Management Financial Advisor or a Morgan Stanley Private Wealth Management Private Wealth Advisor.

Account Linking Service

To minimize the number of separate mailings you receive, Morgan Stanley offers an automatic Account Linking Service. The Account Linking Service allows you to receive multiple account statements and other important information together in a single envelope, in a consolidated format with a summary page showing the account value of each account. Accounts which have the same mailing address, branch and Financial Advisor, and Social Security Number(s)/Tax ID Number(s) will be subject to the automatic Account Linking Service. Annual Summary Statements may not be linked. There is no charge for this service. *If you do not wish to take advantage of the automatic Account Linking Service and want to opt-out of that service, please contact your Financial Advisor.*

You may also manually add accounts to an account linked group for accounts that have differing Social Security Numbers/Tax ID Number(s), provided all other eligibility rules have been met. If you link your accounts with separate accounts(s) owned by others, however, your personal and financial information will be provided to such other account owners by virtue of being consolidated in a single envelope.

After an account has been identified as eligible for automatic Account Linking, but before the link is active, you will see a message on your monthly account statement advising you that these new accounts will be added to an Account Link group during the following statement cycle. Upon receipt of your next monthly account statement, your eligible accounts will be consolidated into a single envelope through our Account Linking service. With Account Linking, your consolidated statements all arrive at the same time and can be accessed online through a single sign-on. Account Linking also allows the addressee designated as the primary account holder, and anyone to whom the primary account holder has delegated access, to have access to view all linked accounts online on Morgan Stanley Online. For information about our client website, and online services such as eDelivery of your statement, go to www.morganstanley.com/online.

IRS Circular 230 Disclosure

Morgan Stanley Smith Barney LLC, its affiliates, and its employees are not in the business of providing tax or legal advice. These materials and any tax-related statements are not intended or written to be used, and cannot be used or relied upon, by any such taxpayer for the purpose of avoiding tax penalties. Tax-related statements, if any, may have been written in connection with the "promotion or marketing" of the transaction(s) or matter(s) addressed by these materials, to the extent allowed by applicable law. Any taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The USA PATRIOT Act

Important Information About Procedures for Opening a New Account or Establishing a New Customer Relationship

To help the government fight the funding of terrorism and money laundering activities, federal law requires all U.S. financial institutions to obtain, verify and record information that identifies each individual or institution that opens an account or establishes a customer relationship with Morgan Stanley.

What this means for you: If you enter into a new customer relationship with Morgan Stanley, the firm will ask for your name, address, date of birth (as applicable) and other identification information. This information will be used to verify your identity. As appropriate, the firm may, in its discretion, ask for additional documentation or information. If all required documentation or information is not provided, Morgan Stanley may be unable to open an account or maintain a relationship with you.

Understanding Your Brokerage and Investment Advisory Relationships

Morgan Stanley is registered as both a broker-dealer and as an investment advisor under federal and state securities laws, and provides services in both capacities. Morgan Stanley is a member of the Financial Industry Regulatory Authority (FINRA) and other self-regulatory entities. In accordance with the rules of FINRA and other self-regulatory entities, whether acting in a brokerage or advisory capacity, Morgan Stanley must observe high standards of commercial honor and just and equitable principles of trade.

There are several fundamental differences between brokerage services and advisory services. We want you to be informed of the following differences between those types of services.

BROKERAGE SERVICES

As a broker-dealer, we will work with you to facilitate the execution of securities transactions on your behalf. In addition to taking your orders, executing your trades and providing custody services, we also provide investor education, investment research, financial tools (including financial calculators and financial analyses) and professional, personalized information about financial products and services, including recommendations to our brokerage clients about whether to buy, sell or hold securities. We do not charge a separate fee for these services because these services are part of, or “incidental to,” our brokerage services.

When we act as your broker-dealer, we will not have discretion to buy and sell securities for you (except in some very limited circumstances). This means that you will provide approval for each trade before it is executed and that you, not we, will make individual buy, sell and hold decisions. When recommending that you purchase, sell, hold or exchange a security, we must have a reasonable basis for believing that the recommendation is suitable for you. However, we do not have a fiduciary or advisory relationship with you, and our obligations to disclose information regarding our business, conflicts between our interests and yours, and other matters are more limited than if we had fiduciary or advisory duties to you.

For example, we may buy securities from you, or sell securities to you, for our own accounts (acting as principal), or we may buy or sell securities acting as agent. We are not required to notify you or obtain your prior consent regarding the capacity in which we act, which may affect our profit on trades. Further, when we act as a broker-dealer, we are paid by you and, sometimes, by people who compensate us based on what you buy. Therefore, our profits, and our Financial Advisors' compensation, may vary by product and over time.

YOUR FINANCIAL ADVISOR'S ROLE WHEN PROVIDING BROKER-DEALER SERVICES

Your Financial Advisor can provide you with the brokerage services described above and assist you in identifying your investments needs and goals and creating investment strategies to pursue them as part of a brokerage relationship. Some of the investment guidance we offer through our brokerage relationships may involve suitability assessments and targeted planning services; such investment guidance should not be considered an advisory service unless we expressly state in writing that it is offered as a component of an investment advisory service.

INVESTMENT ADVISORY SERVICES

In addition to brokerage services, Morgan Stanley offers a variety of investment advisory programs and services to our clients, including comprehensive financial planning, nondiscretionary and discretionary asset management, and advice on the selection of professional asset managers, exchange-traded funds and mutual funds offered through our investment advisory programs.

We act as your investment adviser only when we have entered into a written agreement with you to do so. In such agreements, we expressly acknowledge our advisory relationship and obligations to you. When we act as your investment adviser, we provide you with a disclosure document about our advisory services that describes, among other things, information about our business, the services we provide, our advisory fees, our personnel, and potential conflicts between our interests and yours.

When acting as your investment adviser, we also have fiduciary duties to you and are required to obtain your consent prior to purchasing securities from you, or selling securities to you, for our own accounts (acting as principal). Please note that the fact that we owe fiduciary duties to you under the Investment Advisers Act of 1940 does not mean we are or have accepted responsibility as a fiduciary under the Employee Retirement Income Security Act ("ERISA") or the prohibited transaction provisions of the Internal Revenue Code. We do not accept those duties or that legal role unless we accept them in writing in our agreements with you.

In connection with our advisory services, you generally pay an annual fee, payable quarterly based on the total value of the assets in your account at the end of the previous quarter. The fee typically covers both the advisory and the brokerage services provided by Morgan Stanley that are described in the investment advisory agreement and, in certain programs that offer professional third-party money management, the fee also includes the professional money manager's fee. In advisory programs that include exchange-traded funds or mutual funds, you will pay additional expenses charged by the funds that are not reflected in Morgan Stanley's fees.

Investment Advisers are governed by the Investment Advisers Act of 1940 and applicable state securities laws, which govern conduct and disclosure requirements, creating a high legal standard that is referred to as a "fiduciary" duty to clients.

These rules and laws require Investment Advisers to:

- Disclose or avoid material conflicts of interest.
- Conduct proper due diligence and review clients' investment restrictions and guidelines to make suitable and appropriate investment recommendations or decisions on behalf of clients.
- Act in the best interests of their clients by providing investment advice that is based on the client's stated overall financial situation and investment objectives.
- Owe their clients a duty of undivided loyalty and utmost good faith.

YOUR FINANCIAL ADVISOR'S ROLE IN ADVISORY PROGRAMS

Your Financial Advisor can provide you with a variety of services depending on the advisory program that you choose. For example, in our Portfolio Management program, and where you elect in our Select UMA program, your Financial Advisor will have the discretionary authority to execute investment decisions on your behalf. In our Consulting Group Advisor program, and the TRAK Fund Solution program, your Financial Advisor will work with you and make investment recommendations, but you will maintain discretion over all the investment decisions made in your account.

WHEN WE ACT AS BOTH BROKER-DEALER AND INVESTMENT ADVISOR

We may act as investment adviser and as broker-dealer to you at the same time, and the fact that we do so does not mean that our brokerage relationships are advisory ones. For example, although we consider your brokerage account assets in preparing guidelines or determining suitability for your investment advisory services, your brokerage relationship continues on your brokerage assets.

As another example, a client who has a comprehensive financial plan prepared by his or her Financial Advisor has an investment advisory relationship with Morgan Stanley with respect to the delivery of the financial plan. The investment advisory relationship starts with the delivery of the financial plan and ends 30 days later and does not extend to any existing brokerage accounts or to implementation of the financial plan. Further, the implementation may be done through brokerage accounts, advisory accounts or a combination of both.

FOR MORE INFORMATION

We encourage you to ask questions so you completely understand when we are acting as broker-dealer and when we are acting as investment adviser, as well as the differences between your brokerage and advisory accounts, including the extent of our obligation to disclose conflicts of interest to you. The disclosure documents for our investment advisory services, which are available upon request, provide information about our advisory services, including conflicts.

If you have additional questions about the nature of your accounts or the services you are receiving, please consult with your Financial Advisor, or with the Branch Office Manager at your Morgan Stanley branch office.

Account Protection

As a Morgan Stanley client, the protection provided your account exceeds what the law requires. While most brokerage firm clients are entitled to the protection provided through Securities Investor Protection Corporation (SIPC), at Morgan Stanley, you also receive protection supplemental to SIPC, which is provided at no cost to you.

Please be aware of the following:

- Morgan Stanley is required to comply with the protection standards set forth by the Securities and Exchange Commission (“SEC”).
- We maintain capital well in excess of the levels required by the SEC.
- Fully paid for and excess margin securities held in Morgan Stanley client accounts are segregated from our assets in compliance with SEC Rule 15c3-3. The SEC and FINRA regularly audit the safeguards and controls set up to protect client assets held in accounts at Morgan Stanley.
- In the event of a forced liquidation of our Firm, your uninvested cash and securities will be made available to the trustee of these proceedings to transfer to you or to another broker-dealer.
- Morgan Stanley is a member of SIPC. SIPC protects client net claims up to \$500,000, of which up to \$250,000 may be uninvested cash. Note that SIPC coverage does not protect investors against securities fraud, as it only protects client assets in the event of broker-dealer insolvency.
- In addition, Morgan Stanley has purchased, at no cost to you, separate insurance protection from certain syndicates of Lloyd's of London and various underwriters for all clients that provides additional coverage “Excess of SIPC” up to the remaining net equity securities balance, subject to the firmwide cap of \$1 billion, with up to \$1.9 million coverage per client for uninvested cash.
- If a client maintains more than one account at Morgan Stanley in separate capacities (individual, joint, trust) each account would be protected by SIPC and the supplementary protection up to the client and aggregate limits mentioned above.

SIPC and Excess SIPC do not insure against losses due to market fluctuations or other losses that are not related to net-equity claims due to the insolvency of Morgan Stanley. SIPC and Excess SIPC apply to net claims for the value of most securities and cash in the exclusive possession and control of Morgan Stanley. Commodity and futures contracts, currency and certain mutual funds, money market funds, annuities, life insurance and limited partnerships, which may be redeemed directly from the issuer, carrier or their agents, are generally not covered by SIPC or Excess SIPC coverage. Please be advised that you may obtain information about SIPC, including the SIPC brochure, by contacting SIPC at 202-371-8300 or by visiting www.sipc.org.

FDIC Insurance

Certificates of Deposit (“CDs”) issued by FDIC member institutions that are purchased through Morgan Stanley and deposit accounts maintained through the Bank Deposit Program or GlobalCurrency are eligible for FDIC insurance up to applicable U.S. dollar limits (visit www.fdic.gov or review the applicable disclosure document for details).* Unless otherwise specifically disclosed to you in writing, other investments and services offered through Morgan Stanley are not insured by the FDIC, are not deposits or other obligations of, or guaranteed by, a bank and involve investment risks, including possible loss of principal amount invested. Morgan Stanley is a registered broker-dealer, not a bank.

We understand that a primary concern of yours is the safety of your assets. Our goal at Morgan Stanley is not only to help you achieve your financial objectives, but also to make every effort to ensure that your assets are protected. We encourage you to review the brochure **Protection for Your Assets**, which is accessible via our website at: www.morganstanley.com/wealth/ourapproach/sipcinformation.asp

The brochure provides an overview of the regulatory protections you enjoy as a client of Morgan Stanley, including the safekeeping and segregation of client assets, as well as the protections afforded through SIPC, Excess SIPC and FDIC insurance. If you would like more information, ask your Financial Advisor.

Notice of Business Continuity Preparedness

Morgan Stanley (the “firm”) is committed to providing the highest level of uninterrupted service to our clients. The firm has taken significant steps to mitigate the impact of business interruptions resulting from a wide variety of potential events, including the loss of key facilities and resources. However we understand that uncontrollable events could cause varying degrees of disruption to our normal business processes. The firm recognizes the responsibility to our customers to continue critical operations during such events. In addition, the firm is committed to maintaining effective communications with its clients during a business disruption. We intend to meet this obligation with as minimal an impact as possible, given the circumstances and scope of the disruptive event.

To that end, Morgan Stanley has developed and maintains business continuity plans that are designed to protect the firm, its staff, its assets and the interests of our customers. These plans are designed to be robust enough to cover a wide range of business disruptions that may range from the inability to operate from a single building to more widespread events that impact a city or region. To maintain effective and secure plans, we keep them confidential and do not provide specific details in this notice, but Morgan Stanley would like its clients to know that the firm’s business continuity plans provide for alternate account access and

* CDs are insured by the FDIC, an independent agency of the U.S. Government, up to a maximum amount of \$250,000 (including principal and interest) for all deposits held in the same insurable capacity (e.g., individual account, joint account) per CD depository. For more information, visit the FDIC website at www.fdic.gov.

transaction support during a disruption, including back-up branch office locations for branch offices experiencing a disruption.

Key to this strategy is our ability to continue operations and activities from a number of alternate sites. Dedicated staff within Morgan Stanley and its parent companies' corporate technology organizations ensure that mission-critical applications and data are backed-up as technology permits and are available from these facilities. In addition, business continuity plans are tested annually to ensure that they meet our intended objectives.

Another key element of our program is a command and control network designed to monitor internal and external activities, manage escalation procedures and provide a rapid response mechanism to address less critical issues. The objective of the network is to enable firm management on both a global and regional basis to monitor and manage a business continuity incident and any material impact an event may have on the firm's business activities.

Our planned responses to various outage scenarios appear below:

OUTAGE SCENARIO	RESPONSE	RECOVERY TIME
Single Building Outage	Staff and Workspace Recovery	Four to 24 hours ¹
	Branch Offices: Recovery essential personnel are relocated to other branch offices and/or work from home. Customer toll-free lines are redirected to Call Centers with qualified service personnel, or to other branches. Any functions not handled by a Call Center are performed by another branch. Other Departments: Recovery essential personnel are relocated to contingency facilities both within and outside of our major metropolitan facilities. Some staff members are already in facilities outside of those major metropolitan facilities. Data Center Recovery: We have implemented a robust data center back-up strategy utilizing multiple data centers. Each of these data centers is housed in a hardened facility protected by emergency power, and serviced by separate utility grids and multiple telecommunications carriers.	
Regional Outage	Staff and Workspace Recovery	Four to 24 hours ²
	Recovery essential personnel are relocated to contingency facilities outside of the affected area. In certain cases, some key staff members are already prepositioned out-of-region to mitigate the risk of a regional outage. Data Center Recovery: Same as Single Building Outage (see above). Critical data is copied and maintained in a hardened facility outside of the region.	

¹ Recovery times vary according to the criticality of certain businesses and functions.

² Under these conditions, a four-hour recovery is contingent on the nature of the event and that critical industry and municipal infrastructure are fully functional. The firm has two physically separated data centers in the New York City area. To achieve a four-hour recovery time objective, we anticipate that at least one of the data centers is operational. To the extent possible, the firm intends to continue business during the outage.

Senior management is regularly briefed on the status of these plans. To ensure global compliance, senior management has designated Business Continuity Management teams and coordinators who are responsible for the implementation and ongoing enhancement of our global business continuity plans and strategy.

Financial firms are extensively regulated by a number of federal agencies, including the Comptroller of the Currency, the Federal Reserve Board and the United States Securities and Exchange Commission. Morgan Stanley is subject to ongoing review by both our regulators and internal and external auditors. These reviews include in-depth examinations of our business continuity plans. We must comply with the Corporate Business Resumption and Contingency Planning regulations published by the Federal Financial Institutions Examination Council.

We believe that the successful response to the events of September 11th and the 2003 East Coast Blackout is a reliable indicator of the effectiveness of the firm's business Continuity Program approach. While our plans attempt to deal with the potential likely impact of a wide variety of scenarios, any specific response will inevitably be highly dependent upon the nature and extent of the incident. Should material changes to the plans occur, this "Notice of Business Continuity Preparedness" will be updated as appropriate. We may modify this notice at any time with such modifications becoming effective upon posting to our website. For the most recent version of the Notice of Business Continuity Preparedness, please visit www.morganstanley.com/wealth/investmentsolutions/disclosures.asp.

Investing and Trading

THE NATURE OF INVESTMENT RECOMMENDATIONS

Exposure to certain risks is fundamental to investing, and the prices of securities may change based on a number of often unforeseeable factors. We cannot guarantee the performance of any investment recommended by Morgan Stanley or its Financial Advisors. Past investment performance does not predict future investment returns.

Some of the types of risk that affect investments include inflation, interest rate changes and risks related to the underlying company or issuer, as well as economic changes, general market sentiment and the political climate. Conservative investments that are designed to preserve principal tend to provide lower returns over time, while investments that have the greatest potential for higher returns tend to be the most risky and volatile. Nevertheless, all investments carry risk and even relatively conservative and "safe" investments may expose your money to interest rate risk, inflation risk, risks related to the particular structure and features of your investment, as well as remote but potentially significant liquidity, credit or other risks in temporary or extended market dislocations which could lead to losses more commensurate with a traditionally higher risk investment.

Some investors have more tolerance for risk than others. When you consider any investment, be aware of the risks involved; only you can determine your tolerance for risk. (*See the Section on Risk and Return for more information.*)

Some investments, such as mutual funds, provide a prospectus containing detailed information, including details on items such as fees, charges, policies, expenses and risk factors. Always read a prospectus carefully before you invest. Before you make an investment decision, be sure you understand the costs, fees, risks and limitations, as well as the advantages of each investment and how it fits with your financial goals. In addition to offering investment recommendations, at your request, your Financial Advisor can execute transactions for securities you choose. Because these transactions are not based upon Morgan Stanley's specific recommendations, they may be recorded as "unsolicited." In some instances, you may have to sign an acknowledgment of this.

Your Financial Advisor cannot exercise investment discretion—that is, independently make investment decisions for your account—without your prior written authorization and Morgan Stanley's

prior approval. With the exception of some of our advisory programs, your Financial Advisor may be authorized to exercise investment discretion only in very limited circumstances.

Morgan Stanley and its Financial Advisors do not offer tax or legal advice. You should consult your personal tax and legal advisors before making any tax- or legal-related decisions.

BUYING AND SELLING SECURITIES

Give your Financial Advisor complete instructions for every transaction. Whenever you place an order, make sure you have the correct:

- Account number
- Account type
- Transaction type (buy or sell)
- Quantity
- Security description
- Price (if the order is price-specific)
- Dividend reinvestment instructions

HOW YOUR BROKERAGE TRADES ARE SETTLED

Generally, the settlement date is when you must pay for the security you purchased or deliver the security you sold in negotiable form.

- United States securities exchange rules require that most securities transactions settle on or before the third business day following the trade date. There are few exceptions to this requirement.
- For certain classes of fixed income securities (including Treasury securities) and exchange-traded options, settlement is required on the following business day.
- Cash-basis transactions settle on the same business day as the trade.

TRADE CONFIRMATIONS

A confirmation is a written record of your transaction. It provides important information about your security transactions and should be maintained for your records.

Morgan Stanley sends confirmations for every securities transaction the firm effects, except where regulatory exceptions apply.

HOW YOUR TRADES ARE EXECUTED

When processing trades, Morgan Stanley acts as either agent or principal, or in some instances as both agent and principal. Your trade confirmation tells you in what capacity we acted:

- As an agent, Morgan Stanley works to find you the best execution for your order. If you elect to have an investment advisory account, generally all trades are executed as agent.
- As a principal, Morgan Stanley buys securities from you and sells securities to you. In such cases, Morgan Stanley sells the securities from its own inventory or buys securities based on the current market price. In other cases, your order will be executed by an affiliate company acting as principal. On these trades, the affiliate relationship will be disclosed to you on the trade confirmation.

Summary of the Bank Deposit Program

Through the Bank Deposit Program (“BDP” or the “Program”), cash balances are automatically deposited, or “swept” into interest-bearing FDIC-insured deposit accounts (“Deposit Accounts”) established for you by Morgan Stanley at one or more Sweep Banks: Morgan Stanley Bank, N.A. (“MSBNA”) and Morgan Stanley Private Bank, National Association (“MSPBNA” and, together with MSBNA, the “MS Banks”), or Citibank, N.A. (“Citibank”). The Deposit Accounts at each

Sweep Bank are established through and in the name of Morgan Stanley, as agent and custodian for its clients, and consist of a demand deposit (“DDA”) account and money market deposit account (“MMDA”). Your monthly Account statement will reflect your balances in each Sweep Bank.

If Citibank is your Sweep Bank, all funds will be deposited at Citibank without limit. If the MS Banks are your Sweep Banks, each bank will have a Deposit Limit of \$490,000 for joint accounts and \$245,000 for all other accounts. Deposit Limits are set slightly below the FDIC insurance thresholds to allow for accrued interest on the Deposit Accounts.

Funds are deposited at MSBNA up to the Deposit Limit, then MSPBNA up to the Deposit Limit. If your funds exceed the Deposit Limit at each Sweep Bank, such excess funds will be deposited, without limit, into the Deposit Accounts at MSBNA, which means that you are likely to have funds at that Sweep Bank that are not FDIC insured.

Withdrawals from your Deposit Accounts will be made on a “last in, first out” basis, which means that funds will be withdrawn from the Sweep Banks in the reverse order from which the funds were deposited.

Morgan Stanley may notify you by letter, an entry on your Account statement or other means that your Sweep Bank is changing in approximately 10 business days. If the MS Banks are your Sweep Banks, we may notify you that Citibank will become your Sweep Bank and, if Citibank is your Sweep Bank, we may notify you that the MS Banks will become your Sweep Banks. We may also notify you that the order of your deposits to the MS Banks is changing. However, you may contact your Financial Advisor to block deposits to (1) Citibank, (2) MSPBNA, or (3) MSBNA and MSPBNA.

To review current interest rates and the BDP Disclosure Statement, please visit www.morganstanley.com/wealth/services/bankdepositprogram.asp

INTEREST RATES GENERALLY

The DDAs and MMDAs will earn the same rate of interest at each Sweep Bank. Interest rates on the DDAs and MMDAs are variable and subject to change without notice. Morgan Stanley and the Sweep Banks reserve the right to change the methodology used to determine the interest rates in their sole discretion. The Sweep Banks generally set the rates on a weekly basis, but may set the rates more or less frequently. Morgan Stanley generally recommends the interest rates and the Sweep Banks have the authority to modify the rates before approving and implementing them. The rate is generally based on a variety of factors including, but not limited to, prevailing economic and market conditions. Our ability to influence the rate on your Deposit Accounts presents a conflict of interest.

BROKERAGE ACCOUNT INTEREST RATE TIERS

Brokerage accounts with BDP as their sweep option receive different tiered interest rates based upon the value of your BDP Pricing Group. A BDP Pricing Group is valued based upon the eligible assets in accounts within a household grouped together based on the same address. In addition, accounts utilizing the same social security number or tax identification number in a household may be included in a BDP Pricing Group even if the account address is different from the other accounts.

The interest rate tiers are as follows:

- \$10,000,000 or greater
- \$1,000,000 to \$9,999,999.99
- \$500,000 to \$999,999.99
- \$250,000 to \$499,999.99
- \$100,000 to \$249,999.99
- Less than \$100,000

ADVISORY ACCOUNT INTEREST RATES

The interest rate for Advisory Account balances in the Program is the same as the highest tiered interest rate available to Brokerage Account balances.

FEE TO MORGAN STANLEY

Each Sweep Bank will pay Morgan Stanley a fee equal to the percentage of the average daily deposit balances in your Deposit Account at the Sweep Bank. The amount of the fee received by Morgan Stanley will affect the interest rate paid by the Sweep Bank on your Deposit Accounts. Affiliates of Morgan Stanley may also receive a financial benefit in the form of credit allocations made for financial reporting purposes. No other charges, fees or commissions will be imposed on your account as a result of or otherwise in connection with the Program.

CONFLICTS OF INTEREST AND OTHER BENEFITS

Morgan Stanley, the Sweep Banks and their affiliates may receive other financial benefits in connection with the BDP. The Sweep Banks may use the cash balances in their Deposit Accounts to fund certain lending activity. As with other depository institutions, the profitability of the Sweep Banks is determined in large part by the difference between the interest paid and other costs incurred by them on the Deposit Accounts, and the interest or other income earned on their loans, investments and other assets. Deposits in Deposit Accounts provide the Sweep Banks with a stable, cost-effective source of lendable funds.

FDIC COVERAGE

Funds in the Deposit Accounts (principal and accrued interest) at each Sweep Bank are eligible for FDIC insurance up to a specified amount per depositor (the “Maximum Applicable Insurance Limit”) in each insurable capacity (e.g., individual or joint). The Maximum Applicable Insurance Limit is \$250,000. Please keep in mind, however, that the Maximum Applicable Insurance Limit is established per depositor.

Any deposits that you maintain in the same capacity directly with a Sweep Bank (including CDs), or through an intermediary (such as Morgan Stanley or another broker), will be aggregated with deposits in your Deposit Accounts at that Sweep Bank for purposes of the Maximum Applicable Insurance Limit. You are responsible for monitoring the total amount of deposits that you have with each Sweep Bank, in order to determine the extent of FDIC deposit insurance coverage available to you. We are not responsible for any insured or uninsured portion of a Deposit Account at a Sweep Bank. Please visit www.fdic.gov for more information. Balances maintained in the Deposit Accounts at each Sweep Bank are not protected by SIPC or any excess coverage purchased by Morgan Stanley.

How Morgan Stanley and Your Financial Advisor Are Compensated

HOW MORGAN STANLEY IS COMPENSATED BY YOU

Depending on the types of relationships you establish and the ways you choose to do business with us, Morgan Stanley may be compensated for the services we provide through transaction commissions and markups, asset-based fees and other fees and charges.

BROKERAGE

For brokerage activity, we offer transaction-based pricing in which you pay commissions, sales loads, markups/markdowns or other fees for each transaction you and your Financial Advisor execute. You can conduct transaction-based business in virtually all financial products and services within an Active Assets Account or in retirement, education savings, or other accounts we offer.

CHOICE SELECT

If you are a moderate or active trader, you should consider enrolling in choice Select – a pricing alternative for brokerage accounts. Choice Select is a different way to pay commissions

on equity and option³ trades. With a sliding scale commission schedule, the more you trade, the lower your marginal commission rate. The schedule is based on the principal volume of eligible trades executed annually, and commissions are charged monthly in arrears. Any investment advice given to Choice Select clients is solely incidental to our business as a broker-dealer. Clients do not pay for, nor do they receive, a level of advice different from that provided to other full-service brokerage clients who pay on a per-trade basis.

INVESTMENT ADVISORY

In our investment programs, you generally pay an annual fee, charged quarterly in advance, based on the total value of the assets in your account at the end of the previous quarter. Unless otherwise noted, the asset-based fee generally covers investment consulting and certain brokerage services provided by Morgan Stanley, as well as the external or internal investment management fees. However, the asset-based fee does not cover expenses paid within any exchange-traded funds or mutual funds you may own.

You may select from our comprehensive suite of management account programs, which are designed for various levels of investment experience and sophistication, with asset minimums that start as low as \$10,000. Depending upon the program, your investment manager may invest in stocks, bonds, money market funds, mutual funds, exchange-traded funds and cash. You can establish investment advisory relationships for your retirement or trust accounts in addition to your personal investment accounts. If you select Consulting Group Advisor, our nondiscretionary advisory account, your Financial Advisor will provide investment advice, but you will retain decision-making authority over the account.

Morgan Stanley offers financial planning services through LifeView PlusSM powered by MoneyGuidePro;^{TM4} Using this tool, your Financial Advisor can assist you with the evaluation of your financial goals and help you develop an investment strategy to meet goals such as planning for retirement, funding an education, and insurance planning. Financial Advisors may charge up to \$2,500 for the preparation of a financial plan.

LENDING SERVICES

Morgan Stanley offers a variety of lending products to individuals and businesses. We are compensated for these services in two ways: through fees when the loan or credit line is initially established and/or through ongoing interest charges. These fees and payments depend on the type, structure and duration of the loan.

For margin, nonpurpose margin⁵ and overdraft⁶ loans, you are not charged upfront fees. Normally, ongoing interest charges are calculated and paid based on a variable interest rate. Principal is usually repaid at your discretion, although we may exercise our rights under our agreement with you at any time, including if there is a collateral shortfall.

For a Portfolio Loan Account, clients are not charged upfront fees to set up the credit facility. Various loan structures can be established in one loan account, including a variable rate revolving line of credit and fixed rate loan. Fixed rate loans may carry prepayment penalties. The ongoing principal and interest payments depend on the type, structure and duration of the loan. Principal is usually repaid at the client's discretion, although either Morgan Stanley Bank, N.A. or Morgan Stanley Private Bank, N.A. (depending on the type of loan), may exercise their

³ Options are not suitable for all investors.

⁴ Powered by MoneyGuidePro™ and MoneyGuidePro™ are trademarks of PIE Technologies, Inc.

⁵ Nonpurpose margin loans can be used for a variety of purposes but not for buying, carrying or trading securities.

⁶ Overdraft: (a) Overdraft activity creates a loan, which is treated as a purpose extension of credit (for purposes of advance rates and maintenance requirements); and (b) you must have marginable securities available in your account in an amount sufficient to cover the requested draw. (If there are nonmarginable securities, or the value of the marginable securities will not cover the requested drawdown, the check or debit will be rejected.) Interest on the overdraft amount will continue to accrue until the loan is paid in full.

rights under their agreement with you at any time, including if there is a collateral shortfall. You can also establish a standby letter of credit. Fees on standby letters of credit are based on the issuance amount of the Letter of Credit. Fees, interest and principal payments are paid to Morgan Stanley Bank, N.A. or Morgan Stanley Private Bank, N.A. (depending on the type of loan). The Portfolio Loan Account can be used for a variety of purposes but not for buying, trading or carrying securities and is offered by Morgan Stanley Bank, N.A., an affiliate of Morgan Stanley.

For mortgage loans available through the Morgan Stanley Home Loans program, you repay the principal amount borrowed, with interest, to Morgan Stanley Credit Corporation. Some loans may involve an origination fee, which is typically up to one percent of the principal amount of the loan, and/or an application fee and closing costs.

Commercial loans available through Morgan Stanley Commercial Financial Services, Inc., have various structures (e.g., lines of credit, letters of credit, term loans and commercial mortgages). The structure and amount of both initial facility fees and ongoing principal and interest payments depend on the type, structure and duration of the loan.

OTHER COMPENSATION

Morgan Stanley and its affiliates may earn compensation in other, more indirect ways with regard to certain of the products you purchase or services you receive. For example, Morgan Stanley may earn compensation in connection with the provision of investment banking, prime brokerage, institutional brokerage or placement agent services, as well as stock loan or other lending, money-management or trading-desk activities. Certain investment vehicles may include securities of Morgan Stanley's parent or other affiliates and companies in which Morgan Stanley or its affiliates make a market or the officers or employees of Morgan Stanley or Morgan Stanley's affiliates own securities.

HOW MORGAN STANLEY COMPENSATES YOUR FINANCIAL ADVISOR

Your Financial Advisor's compensation is based primarily on the fees and commissions that you pay us. Different products have different compensation structures and, accordingly, our Financial Advisors get paid more or less depending on the product or service you choose. In general, the percentage of Morgan Stanley's fees and commissions we pay to our Financial Advisors in incentive compensation depends upon the type of account or pricing structure you have established with us as well as the particular product you purchase. The more overall revenue a Financial Advisor generates, the higher his or her payout rate.

On certain lending products like Margin, Portfolio Loan Account and Mortgages, Financial Advisors are credited with anywhere from 25 to 70 basis points of the balance of the loan depending on the product and level of discount with the individual loan. Financial Advisors may also receive ongoing compensation (called residuals) on some investment products.

Financial Advisors who are in their first three years in the Reach for Excellence Wealth Management program are eligible for a second payout tier on certain consulting group advisory products. The Incentive Compensation Grid rate varies and is subject to change. Generally, the Incentive Compensation Grid ranges from 20% to 47%.

In addition to the Incentive Compensation outlined above, your Financial Advisor may be eligible for bonuses, based on the total Gross Revenue he or she generates during the year and his or her Length of Service at Morgan Stanley and the legacy firms.

Your Financial Advisor will receive reduced or no credits or Gross Revenue for transactions below certain commission levels and for households that do not meet certain asset minimums. Among several exceptions to this policy are assets held in Fund Solution.

FLOAT

Morgan Stanley may retain, as compensation for its provision of services, your Account's proportionate share of any interest earned on aggregate cash balances held by Morgan Stanley or

an affiliate with respect to assets awaiting investment. Such interest retained by the Custodian shall generally be at the prevailing Federal Funds interest rate.

Your Account and Service Fees

FEES

Your account is subject to several fees which are charged to your account and which may be modified by Morgan Stanley from time to time upon prior written notice. The Active Assets Account (AAA) carries an annual fee of \$150.

You will pay standard fees for securities transactions, including a \$6.50 processing fee (Clients who are enrolled in eDelivery of Confirms are not subject to the new fee amount and will continue to be charged the current fee of \$6.00 per transaction); there may be additional exchange fees or transaction fees^{7,8} for the purchase or sale of certain securities. If you have a margin account, you will pay interest on any margin loan, as described in the Lending Services section of this booklet. Other fees and charges may be associated with account services and transactions, including, but not limited to, check writing privileges, debit card transactions and transfers. A low-balance household fee of \$50 per calendar quarter may be charged to households with less than \$25,000 in eligible assets and liabilities. Some fees may be waived at certain asset levels or for Reserved Clients. Not all fees are listed and you should speak with your Financial Advisor if you have any questions regarding our account or service fees.

OTHER CHARGES

Duplicate Statements/Confirms. There is a \$5 charge for duplicate statements or confirms. Duplicate statement fees are billed on a quarterly basis for statements that are physically mailed. There is no fee for electronic statements. Duplicate confirm fees will continue to be billed monthly.

ACCOUNT BILLING SCHEDULES

Active Assets Accounts, Business Active Assets Accounts and Basic Securities Accounts⁹

Your account is debited the custody fee on or after the 10th business day of the month after you opened your account. Going forward, you will be debited on or after the 10th business day of the month after your account anniversary date.

INDIVIDUAL RETIREMENT ACCOUNTS

The annual maintenance fee shall be charged for any calendar year or portion of any calendar year during which you have an IRA with us. Maintenance fees are due and payable on the following dates: (a) when you open your IRA; (b) for subsequent years, annual maintenance fees will be due on or after the 10th business day of the quarter ending month on or after your account's anniversary month (if your account remains open on that date); and (c) the day you

⁷ The supplemental transaction fee is variable, with a \$0.01 minimum.

⁸ For foreign ordinary shares transactions, we charge a \$50 fee for principal purchases less than \$15,000; this charge is waived if Morgan Stanley & Co. LLC is a market maker in the shares, and when purchasing foreign American Depository Receipts ("ADRs").

⁹ You understand that whenever it is necessary, for our protection or to satisfy a debit balance or other obligations owed to us, we may—but are not required to—sell, assign or deliver all or any part of the securities and other property held in your account. We may attempt to contact you before taking such action, but we reserve the right to take any such action without prior notice or demand for additional collateral and to do so free of any right of redemption. Morgan Stanley may choose which securities or other property to buy or sell as well as the sequence and timing of liquidation. Our choices may have adverse tax consequences or investment implications for you.

terminate or transfer your IRA. Your annual maintenance fee will be automatically debited from the IRA. Contact your Financial Advisor for other payment options. We reserve the right to liquidate assets to cover the amount of any outstanding fee.

BUSINESS RETIREMENT ACCOUNTS

Annual Maintenance Fees for the Versatile Investment Program, VIP Basic, VIP Plus and Retirement Plan Manager (RPM) accounts will now be charged in September of each year and will apply to the calendar year in which it is charged. The Annual Maintenance Fee for VIP Plus and RPM is now \$50 per account. Effective March 18, 2011, a termination fee of \$50 per account will apply.

CHOICE SELECT PRICING

Brokerage accounts with Choice Select pricing are billed commissions monthly in arrears based on the principal volume of eligible equity and options trades executed during the preceding month. Choice Select monthly commissions are debited from your account on the third business day of the month following each month-end. Please note that the Choice Select commission schedule resets annually, the day after your Choice Select anniversary date. This means that the cumulative principal volume of your eligible trades is reset to zero, and your commissions on eligible trades are charged at the highest marginal rate. Your Choice Select "anniversary date" is the last day of the month following your enrollment in Choice Select. There is no Choice Select annual fee, but the standard fees for your underlying brokerage account including, for example, Active Assets Accounts, Individual Retirement Accounts, Business Active Assets Accounts and BusinesScape Accounts, will apply. The \$6 transaction processing fee does not apply to Choice Select eligible trades.

INVESTMENT ADVISORY ACCOUNTS

The billing process in most investment advisory accounts is as follows. (Some types of accounts may be billed differently.) Your program fees are payable quarterly in advance, at one-fourth of the applicable annual rate. The initial fee is due when Morgan Stanley accepts the agreement and the account is opened. The initial fee for an account will be based on the value of the assets in that account on the opening date, and will cover the period from the opening date through the last day of the initial billing quarter. Thereafter, the quarterly asset-based fee for an account will be based on the value of the assets in that account on the last business day of the previous billing quarter and will become due on the first business day of the following business quarter.

BUSINESSCAPE ACCOUNTS

Your account is debited the monthly fee on or about the second business day of the month after you open your account and on or about the second business day of any subsequent months.

Morgan Stanley Reserved

Morgan Stanley Reserved rewards clients with \$1,000,000 or more in eligible household assets and liabilities at Morgan Stanley with special benefits and services, including a comprehensive fee waiver program and access to a dedicated toll-free number for the Reserved Client Service Center. All members of the household are eligible for these benefits. These added benefits are available to qualifying clients along with the ongoing investment guidance and service provided by their Financial Advisor.

Clients must maintain these eligible household assets in order to continue to receive Reserved benefits. There are additional ways to qualify based on fees and transaction charges paid over a period of time. To find out more information about the Morgan Stanley Reserved program and

the benefits you may be entitled to, please contact your Financial Advisor. For Reserved clients, a portion or all of certain fees may be paid on your behalf by Morgan Stanley. If you would like to include IRAs and/or other retirement accounts in your household assets, you should consult your legal or tax advisory to understand any possible unanticipated tax consequences of householding such accounts.

We may amend, supplement, modify or rescind any or all aspects of Reserved at any time. Such changes will be binding on you and will take effect when we specify.

Electronic Delivery (eDelivery)

With eDelivery, review your account documents online instead of receiving paper documents in the mail. Documents are archived and available on our secure website for up to 7 years. You will get an email whenever a new document is available.

When you enroll in eDelivery, you will be required to consent to the eDelivery Terms and Conditions included below.

eDELIVERY TERMS AND CONDITIONS

Agreement to these Terms and Conditions supplements any existing client agreement(s) you may have with us and enables you to give blanket authorization to discontinue hard-copy delivery of most documents relating to your Morgan Stanley account(s) and begin electronic delivery to the email address you provide. Documents include but are not limited to your account statements, trade confirmations (including those accompanied by a prospectus), performance reports, Corporate Action Credit Advices, account documentation (including your client agreements and amendments to such), and all documents that may be added to eDelivery in the future, including tax documents (e.g., Forms 1099) and general correspondence (collectively “eDelivery Documents”). When you enroll in eDelivery, you consent to the electronic delivery of all eDelivery Documents, however, once enrolled you can customize your eDelivery.

Your agreement also includes electronic delivery of syndicate offerings materials, including preliminary prospectuses and other documents including pricing terms for equity initial public offerings (IPOS), secondary offerings, and follow-ons as well as new issue Structured Investments and new issue Fixed Income Securities (“Syndicate Offerings”). Participation in many Syndicate Offerings (e.g., equity and preferred security offerings) requires eDelivery enrollment.

As you read through these terms and conditions, you should be aware that:

- You may change your eDelivery preferences at any time by updating your eDelivery Settings through Morgan Stanley Online, contacting the Client Interaction Center at 888-454-3965, or contacting your Financial Advisor.
- Your authorization will include accounts that you own as an account holder, as well as accounts for which you are an authorized person. You can contact your Financial Advisor if you need to make adjustments to Account Linking.
- You will receive a mailed letter confirming current eDelivery enrollment settings for your linked accounts:
 - When you or another authorized person enroll an account in eDelivery for the first time through Morgan Stanley Online;
 - When an account is automatically enrolled based on previously established eDelivery preferences for you or another account owner; or
 - When, pursuant to your instructions or the instructions of another authorized person, the Client Interaction Center, your Financial Advisor or branch employee assists in enrolling linked accounts for eDelivery or modifying eDelivery settings.
- Interested parties authorized to receive duplicate paper copies of your documents will continue to receive them as currently designated. Duplicate paper copies of account

documents for interested parties may be subject to a fee. Interested parties can receive electronic access in place of receiving duplicate paper copies. There is no fee for interested party electronic account access.

- Notwithstanding your eDelivery enrollment, you may receive certain documents in hard copy if materials are not available in electronic format, or at Morgan Stanley's sole discretion.

CONSENT TO ELECTRONIC DELIVERY

As beneficial owner or authorized party, by selecting that you agree to these terms and conditions, you are providing your informed and positive consent to receive eDelivery Documents electronically by accessing them on a Morgan Stanley or other third-party website after being electronically notified at the electronic address you provide. After enrollment, you will receive enrolled eDelivery Documents in electronic form rather than by physical delivery. If you wish to modify your enrollment instructions, or decide at any time that you want to discontinue electronic delivery, you can do so online at morganstanley.com/online/edelivery, or by contacting your Financial Advisor or the Client Interaction Center at 888-454-3965. Client service representatives are available 24 hours a day, 7 days a week.

You also consent that when you select a document type (e.g., trade confirmations) to be electronically delivered for all of your existing accounts, that document type will be electronically delivered for any accounts you may open in the future. If you do not select electronic delivery for a document type for all of your accounts, then that document type will not be automatically enrolled for electronic delivery for accounts you may open in the future.

You consent to be notified by email to the address you provide that an eDelivery Document is available on our secure website or a third-party website. The email address that you provide will be used to provide notifications of document availability to you for all selected accounts and document types for your Morgan Stanley Online username. Contact us immediately if you have any difficulty accessing your account documents electronically or if you have any questions about your electronic delivery instructions.

To ensure uninterrupted document delivery, update your email address on Morgan Stanley Online if your email address changes, or contact us immediately to request an update.

You will be required to complete a two-step email verification process for a new email address. If at any time we are unable to deliver email notifications to your email address:

- We will notify you by mail.
- Depending on the reason for the delivery failure, we may immediately suspend eDelivery for the accounts and documents enrolled under your username/email address, resulting in physical delivery of new account documents until such time that you revalidate your email address. **Suspended accounts may not be able to participate in some Syndicate Offerings, which require electronic delivery of preliminary prospectuses.**

You understand that certain risks are associated with the transmission of confidential information, electronic delivery notifications, and other communications through the Internet including but not limited to unauthorized access, systems outages, delays, disruptions in telecommunications services and the Internet. Email is not private or secure. The electronic delivery notices sent to you by email are not encrypted. Although such electronic delivery notices are not intended to contain personally identifiable information, they may contain in their design part or all of your name or other identifier that could be seen or intercepted by others if delivered to your business email address or other computers or electronic devices not exclusively under your control. You understand and agree that you will not respond to the electronic delivery notice by return email, or use it to request information, service, paper copies or other items or to revoke consent. Morgan Stanley will not be responsible to act upon requests made in this manner.

Although electronic documents are provided without charge, other online subscription or access fees by internet service providers may apply. You must maintain the ability to access and

open electronic documents. There are minimum computer hardware and software requirements necessary to receive and view your electronic documents, including, but not limited to, an internet connection and internet browsing software. You may request a paper copy of any document delivered through eDelivery but you may incur a charge for that copy. Morgan Stanley will maintain an electronically accessible archive of your account documents on our secure client website for 7 years after document publication. If you wish to retain documents for a longer period of time, you are responsible for archiving beyond 7 years.

Privacy Policy: If you have selected to have your statements delivered via eDelivery then the Privacy Policy will be delivered in the same manner and will apply to all of your linked accounts.

Incoming Foreign Currency Wires

Unless you instruct your Financial Advisor otherwise, incoming foreign currency wires will automatically be deposited in a savings deposit at Morgan Stanley Private Bank, N.A. if the currency is eligible for GlobalCurrency and your account is eligible for GlobalCurrency. The following currencies are eligible for GlobalCurrency:

Australian Dollar	Japanese Yen
British Pound Sterling	Mexican Peso
Canadian Dollar	New Zealand Dollar
Czech Koruna	Norwegian Krone
Danish Krone	Singapore Dollar
Euro South	African Rand
Hong Kong Dollar	Swedish Krona
Israeli New Shekel	Swiss Franc

GlobalCurrency allows clients to buy, hold and sell currency deposits at Morgan Stanley Private Bank, N.A. through their Morgan Stanley brokerage account. Eligible accounts includes BSA*, AAA, Business BSA, Business AAA and BusinessScape accounts. GlobalCurrency savings deposits may earn interest and rates are variable. These savings deposits are also eligible for FDIC insurance up to their U.S. dollar equivalent limits, but that insurance does not protect against losses due to exchange rate movements.

Withdrawals from GlobalCurrency savings deposits are subject to a commission of 0 – 100 bps if you convert the funds to another currency, including U.S. dollars. If you do not wish to convert the funds, you may wire them for a \$50 fee. For more information about GlobalCurrency, please visit www.morganstanley.com/wealth/services/globalcurrency.asp

All incoming wires in a foreign currency not eligible for GlobalCurrency or for an account not eligible for GlobalCurrency will automatically be converted to U.S. dollars upon receipt. There is no commission for such a conversion but, as is the case with all currency conversions, there is a spread (the difference between the price Morgan Stanley pays for a currency and the price Morgan Stanley sells the currency to you).

If your incoming wire is eligible for GlobalCurrency, but you want the funds converted to U.S. dollars upon receipt, please instruct your Financial Advisor to convert the funds and you will not be charged a commission for the conversion. There will, however, be a spread and check proceeds will be deposited at Morgan Stanley Private Bank, N.A., prior to conversion.

* BSA and Business BSA accounts are no longer offered, however, existing BSA and Business BSA accounts remain eligible for GlobalCurrency.

Dividend Reinvestment Program

The dividend reinvestment program provides you with an opportunity to enhance your long-term investment growth plans through the automated reinvestment of cash dividends, capital gains and return of capital distributions credited to your account.

ELIGIBLE ACCOUNTS

The dividend reinvestment program, more commonly known as DRIP, is available at no cost to clients with Active Asset Accounts and Retirement Accounts (including IRA-2000, SEP-IRA, IRA Rollover, VIP or RPM accounts). Please note that the dividend reinvestment program is not currently available for advisory accounts.

Clients with Basic Securities Accounts who choose to participate in the dividend reinvestment program will be charged a transaction fee for each dividend reinvested. Please ask your Financial Advisor for the current fee rates.

ENROLLMENT

You may direct your Financial Advisor to add the dividend reinvestment program to either all eligible securities in your account or selected eligible individual securities. Your enrollment authorizes Morgan Stanley to automatically reinvest cash dividends and capital gain distributions paid on such eligible securities held in your account in additional shares of the respective security. On dividend payable date for enrolled securities, Morgan Stanley will credit your account the amount of the cash dividend (less any amounts required by law or agreement to be withheld or debited). Morgan Stanley will aggregate such dividends from your account with those of other clients requesting dividend reinvestment in the same security and use these funds to purchase additional shares of the relevant security for you and the other clients on a best efforts basis. Morgan Stanley will credit your account the number of shares equal to the amount of your funds to be reinvested in a particular security divided by the purchase price per share. In order for your enrollment to be in effect for a given security, your position in that security must be settled on or before the dividend record date.

PARTICIPATING SECURITIES

Morgan Stanley seeks to provide DRIP for a broad range of U.S. equities. In general, equity securities listed on the NYSE, AMEX or traded on the Nasdaq Stock Market will be considered for the dividend reinvestment program. Securities that do not meet certain levels of liquidity and minimum or maximum share prices will generally not be eligible. Morgan Stanley reserves the right to amend its eligibility criteria and suspend or remove securities from the program without notice.

If you wish to add a security to DRIP, please contact your Financial Advisor and upon review of the above criteria, Morgan Stanley will determine DRIP eligibility.

Automatic reinvestment of your eligible cash distributions might give you interests in partial shares of securities, which will be calculated to three decimal places. You will be entitled to receive dividend payments proportionate to your partial share holdings. If your account is transferred, a stock undergoes reorganization, or if stock certificates are ordered out of an account, partial share positions, which cannot be transferred, reorganized or issued in certificate form, will be liquidated. If you enter an order to sell your entire whole share position, any remaining partial share position will be liquidated at the execution price of the sell and will be posted to your account on the settlement day. If you perform any other nonmarket activity that results in a partial share position left in the account, such position will be liquidated at the most appropriate time following such activity at the then prevailing market price for the relevant security. No commission will be charged for the liquidation of the partial share position. In lieu of separate trade confirmations, all transactions made through the dividend reinvestment program will be reported on your monthly brokerage account statement. Please note that securities transactions outside the program will continue to be confirmed as they are

today. If you require immediate information regarding a dividend reinvestment transaction, please contact your Financial Advisor the day after payable date.

Please be aware that reinvestment for certain securities might occur through the Depository Trust Company's ("DTC") dividend reinvestment program. DTC and the issuer determine which securities participate in the DTC program. Only certain eligible DTC program securities will participate in the dividend reinvestment program and such eligibility is determined by Morgan Stanley. Please contact your Financial Advisor for more information regarding DTC eligible securities.

Dividend reinvestment does not ensure profits on your investments and does not protect against loss in declining markets. By offering the dividend reinvestment program, Morgan Stanley is not recommending that you participate. The eligibility of any specific security for the program is not a recommendation by the firm that you should purchase shares in that security.

Morgan Stanley reserves the right to terminate or amend the dividend reinvestment program at any time, including changing commissions or transaction fees. Please contact your Financial Advisor if you wish to terminate your enrollment in the dividend reinvestment program. Please note your termination must be received by record date in order to be effective for a given dividend payment on an enrolled security.

Please contact your Financial Advisor if you have any additional questions or concerns regarding the dividend reinvestment program.

Certain Electronic Fund Transfers

Your Account may be eligible for a variety of electronic fund transfers ("EFTs") that are subject to separate service agreements. These may include our Online Bill Payment service or our Funds Transfer Service ("FTS"). Please contact your Financial Advisor for further information about these services.

In addition, if you use EFTs to receive or transfer funds to or from your account (for example, if you use a direct deposit service or a bill payment service through a third party or if you authorize a merchant or payee to make an electronic payment from your Account using information from your check to pay for purchases or bills) (collectively, "Covered EFTs"), you agree that you are subject to the following terms and conditions.

REJECTED COVERED EFTs

Covered EFTs to or from your Account may be rejected for reasons including, but not limited to, insufficient funds. Partial fund transfers are not permitted. If a Covered EFT is rejected for insufficient funds, you will be charged a \$25.00 fee.

RECORD OF COVERED EFTs

Your monthly Account statement will list the Covered EFTs in your Account.

If you have arranged to have direct deposits made into your Account at least once every 60 days from the same person or company, you can call us at 800-869-3326 to find out whether or not the deposit has been made.

BUSINESS DAYS

For purposes of these disclosures, our business days are Monday through Friday. Holidays are not included.

CONTACT IN THE EVENT OF UNAUTHORIZED TRANSFERS

If you believe that a PIN, card or code that can be used to access your Account has been lost or stolen, or that someone has transferred or may transfer money from your Account

without your permission, call us at 800-869-3326 (if you are calling from outside the United States, call us collect at 801-902-6997) or write us at Morgan Stanley, 601 Harborside Financial Center, Plaza Three, Jersey City, NJ 07311-9820. You should also call this number or write to this address if you believe a transfer has been made using the information from your check without your permission.

YOUR LIABILITY FOR UNAUTHORIZED EFTs

Tell us at once if you believe that a PIN, card or code that can be used to access your Account has been lost or stolen, or if you believe that an electronic fund transfer has been made without your permission using information from your check. Telephoning is the best way of keeping your possible losses down. You could lose all the money in your Account. If you believe your FTS PIN has been lost or stolen and you tell us within two Business Days after you learn of the loss or theft, you can lose no more than \$50 if someone used your PIN, card or code, or information from your check without your permission.

If you do not tell us within two Business Days after you learn of the loss or theft and we can prove we could have stopped someone from using your PIN, card or code, or information from your check without your permission if you had told us, you could lose as much as \$500.

Also, if your statement shows transfers that you did not make, including those made by PIN, card, code or other means, tell us at once. If you do not tell us within 60 days after the statement was mailed to you, you may not get back any money you lost after the 60 days if we can prove that we could have stopped someone from taking the money if you had told us in time. If a good reason (such as a long trip or a hospital stay) kept you from telling us, we will extend the time periods.

OUR LIABILITY

Morgan Stanley will be liable to you for any actual losses you suffer if we fail to complete a properly requested EFT or to stop payment of a transfer in accordance with the terms of this Agreement or any other written agreement we may have with you. However, there are some exceptions. We will not be liable for failing to complete a transfer or for completing a transfer for a lesser amount than requested:

1. If, through no fault of ours, you do not have enough Spending Power in your Account to make the transfer;
2. If an automated teller machine where you are making the transfer does not have enough cash;
3. If a terminal or system you use to make a transfer was not working properly and you knew about the breakdown when you started the transfer;
4. If circumstances beyond our control (such as fire or flood) prevent the transfer, despite reasonable precautions that we have taken; and
5. There may be other exceptions stated in our agreement with you.

Notwithstanding the foregoing, Morgan Stanley will not be responsible for any consequential damages you may suffer as a result of funds that are improperly transferred, stop payment instructions that are improperly executed or our failure to complete a properly requested funds transfer.

IN CASE OF FTS TRANSFER ERRORS

If you think your Account statement or receipt shows incorrect or insufficient information about an EFT, notify us immediately. Call us toll-free at 800-869-3326 or write to Morgan Stanley, 601 Harborside Financial Center, Plaza Three, Jersey City, NJ 07311-9820. If you are calling from outside the United States, call us collect at 801-902-6997. We must hear from you no later than 60 days after we sent the FIRST statement on which the problem or error appeared.

1. Tell us your name and account number.
2. Describe the error or the transfer in question and explain, as clearly as you can, your concerns.
3. Tell us the dollar amount of the suspected error.

If you tell us orally, we may require that you also notify us in writing within 10 Business Days.

We will determine whether an error occurred within 10 Business Days after we hear from you and will correct any error promptly. If we need more time, we may take up to 45 days to investigate your complaint or question. If we decide to do this, to ensure that you will have use of the money during the time it takes us to complete our investigation, we will credit your Account with the amount you think is in error within 10 Business Days of receiving your notice. However, if we ask you to send us written notice and we do not receive it within 10 Business Days, we may not credit your Account.

For errors involving new Accounts, bank cash terminals or foreign-initiated transactions, we may take up to 90 days to investigate your complaint or question. For new Accounts, we may take up to 20 Business Days to credit your Account for the amount you think is in error.

We will tell you the results within three Business Days after completing our investigation. If we decide that there was no error, we will send you a written explanation. You may ask for copies of the documents that we used in our investigation.

If you are a natural person and have established your Account primarily for personal, family or household purposes, the following sections also apply to you.

PREAUTHORIZED PAYMENTS

- *Right to stop payment and procedure for doing so.* If you have authorized a third party to make regular payments out of your Account through the ACH system, you can stop any of these payments. Here's how:

Call us at 800-869-3326, or write us at Morgan Stanley, Attn: Client Correspondence Department, PO Box 95002, South Jordan, UT 84095, in time for us to receive your request three Business Days or more before the payment is scheduled to be made. If you call, we may also require you to put your request in writing and get it to us within 14 days after you call. (We will charge you \$25 for each stop-payment order you give.)

- *Notice of varying amounts.* If these regular payments may vary in amount, the person you are going to pay should tell you, 10 days before each payment, when it will be made and how much it will be.
- *Liability or failure to stop payment of preauthorized transfer.* If you order us to stop one of these payments three Business Days or more before the transfer is scheduled, and we do not do so, we will be liable for your losses or damages directly caused by our failure to stop payment.

TRANSFER TYPES AND LIMITATIONS

Account Access: You may use EFTs to (1) withdraw cash from your Account; (2) make deposits to your Account; (3) transfer funds between your Account and other accounts you hold; (4) pay for purchases from merchants; or (5) pay bills directly from your Account.

Limitations on Dollar Amounts of Transfers: Online Bill payments cannot exceed \$250,000. Each FTS must be greater than \$1 and may be made for up to \$999,999.99 to your Account, provided that there are sufficient funds to cover the transfer. The total dollar amount of transfers you can transfer out of your Account using the FTS is:

	RESERVED	STANDARD
Daily	\$100,000	\$10,000
Any 7-Calendar Day Period	\$300,000	\$30,000
Any 30-Calendar Day Period	\$1,000,000	\$100,000

CONFIDENTIALITY

We will disclose information to third parties about your Account or the Covered EFTs you make –

- Where it is necessary for completing or correcting transfers, or
- In order to verify the existence and condition of your Account for a third party such as a credit bureau or merchant, or
- In order to comply with government agency or court order, or
- If you give us your written permission, or
- As otherwise disclosed in our U.S. Privacy Policy.

Important Disclosures Regarding Your Precious Metals Transactions

This notice contains important disclosures regarding your precious metal transactions, including information about risks. The term “precious metals” is used in this notice to mean gold, silver, platinum and palladium in coin, bar, ingot or other marketable forms. Your precious metals transactions are subject to all the terms and conditions of this notice and your existing brokerage account agreement with Stanley. Any questions you have regarding this document or your precious metals transactions should be discussed with your Morgan Stanley Financial Advisor. Your trading or storage of precious metals with or through Morgan Stanley confirms that you agree to be bound by the terms and conditions of this notice and any other agreements you may have with Morgan Stanley or its affiliates.

RESPONSIBILITY FOR PRECIOUS METAL TRANSACTIONS

Morgan Stanley will not act as your investment fiduciary or investment adviser with respect to your precious metal transactions. This means that you, and not Morgan Stanley, will direct and be responsible for all precious metal investment decisions. Always consult your own professional advisers regarding the tax, legal and accounting implications of your investment decisions.

MORGAN STANLEY'S DEALER PROFIT, COMMISSIONS AND FEES

In providing precious metal services, Morgan Stanley may act in a principal or agency capacity, and may charge a markup or commission on purchases and sales. Additional fees may be charged for the purchase, sale, storage or shipment of your precious metals. Morgan Stanley may buy and sell for its own account the physical precious metals that back “unallocated” holdings and may profit by such use in addition to the mark-ups or commissions it charges on purchases and sales.

MARKET RISK

Precious metals are speculative investments, which may experience short-term and long-term price volatility. The value of precious metals investments may fluctuate and may appreciate or decline, depending on market conditions.

EXECUTION OF YOUR ORDER

Bid and offer prices for precious metals may change from minute to minute based upon supply and demand, interest rates, foreign exchange rates and other factors. The price charged or paid to you by Morgan Stanley will be affected by the prices that are available to us from other

buyers and sellers in the market. At times, dealers may be unwilling or unable to quote prices due to erratic market conditions or other reasons. Under these circumstances, we will try to execute your order as expeditiously as possible. We may also match orders from customers to buy and sell and we may sell precious metals to or purchase precious metals from customers for our own inventory. Actual bid and offer prices are dependent on many factors including the size, purity and time of a particular transaction, and the form and availability of the precious metal requested. Actual bid and offer prices may therefore vary considerably from the prices that are reported in newspapers or on-line quotation services and they may not be the best price available in the market at any particular time. Since precious metals are not traded on any exchange there may be little or no secondary market for any given precious metal. Although we currently buy precious metals from and sell precious metals to customers, we are not required to do so. If we were to stop doing so, you could be required to make your own arrangements for the storage, shipment or sale of your precious metals.

“ALLOCATED,” “UNALLOCATED” AND “SPECIFICALLY IDENTIFIED” OWNERSHIP

Morgan Stanley Precious Metals Trading Desk offers “unallocated” bullion (gold, silver, platinum and palladium), “allocated” physical precious metals (bars and coins), and “specifically identified” physical precious metals (bars). “Unallocated” ownership means that your investment is held in book-entry form in your Morgan Stanley account and is backed by physical metal stored in either the U.S. or London.

“Allocated” ownership means that the physical precious metals (bars and coins) you order from Morgan Stanley’s Precious Metals Trading Desk are purchased and stored on your behalf, but no specific metal bar or coin is identified as belonging to you. Your precious metals will be stored together with precious metals that are owned by and stored for other customers.

“Specifically identified” ownership means that the actual precious metals that you own will be specifically identified by serial number or other unique marker. If you request Morgan Stanley to arrange storage for your specifically identified metal, the serial number(s) of your metal bar(s) will be identified and recorded as belonging to you.

“Specifically identified” and “allocated” precious metals are subject to higher costs and storage fees than “unallocated” metal. Unless you specifically request otherwise, precious metals will generally be purchased and stored on an “unallocated” basis.

STORAGE

We will provide storage for your precious metals upon your request. You will not be subject to an assay fee upon resale if you have purchased and stored your precious metals with Morgan Stanley. Customers buying precious metals through Morgan Stanley or delivering precious metals into their Morgan Stanley accounts for storage or otherwise will be charged a service fee. Service fees are subject to change without notice. We have arrangements for the storage of metals in warehouses and vaults in the United States and overseas; the specific location where your metal is stored is within our discretion.

MINIMUM TRANSACTION SIZE; SETTLEMENT

Our minimum transaction size is \$5,000 per metal per transaction. Purchases and sales of precious metals normally settle in two business days but may settle sooner or later depending on the precious metals involved or due to holidays or special circumstances.

DELIVERIES

You will be charged an insured shipping fee and applicable sales tax if you take physical possession of precious metals. When taking delivery of bullion bars, there may be a small adjustment to reflect differences in bar sizes or the fineness of the precious metal in that bar.

Any such adjustments will be charged or credited to your Morgan Stanley account. Some states charge a sales tax on delivered precious metals. Upon request, your Financial Advisor/Private Wealth Advisor will provide you with the cost of shipping and information on applicable sales taxes.

TRANSFERRING PRECIOUS METALS INTO YOUR MORGAN STANLEY ACCOUNT

Contact your Financial Advisor or Private Wealth Advisor for full instructions if you want to deliver previously purchased precious metal for credit into your Morgan Stanley account. Morgan Stanley and our custodian depositories may, at their discretion, refuse to accept precious metals or parcels containing precious metals, and you may not send precious metals to a Morgan Stanley custodian depository without preauthorization. All such shipments are at your risk and expense. Please note that if you have been preauthorized to send precious metals to a Morgan Stanley custodian depository, Morgan Stanley will generally charge an assay fee for verifying the weight and purity of precious metals.

SIPC INSURANCE NOT APPLICABLE

The Securities Investor Protection Corporation (“SIPC”) provides certain protection for customers’ cash and securities in the event of a brokerage firm’s bankruptcy, other financial difficulties, or if customers’ assets are missing. SIPC insurance does not apply to precious metals or other commodities.

COINS

Coins purchased through Morgan Stanley have no numismatic value. Morgan Stanley cannot guarantee the year when coins were minted, either when executing your orders or when delivering coins from your Morgan Stanley accounts. Mints may change standards (including size and metal purity) for their coins. Morgan Stanley is not responsible for notifying you of any such changes.

OUR RIGHTS

For our protection against credit risks and other conditions, we may, without notice, decline, cancel or reverse your orders or instructions or place trading, disbursement and other restrictions on your Morgan Stanley accounts. As security for the payment of any amounts owed to us or our affiliates by you or otherwise, you grant to us a continuing first priority security interest in and lien on, and a right of setoff with respect to, all precious metals, securities and other property that are, now or in the future, held, carried or maintained for any purpose in or through your accounts at Morgan Stanley and, to the extent of your interest in or through them, any present or future account with us or our affiliates in which you have an interest and agree that all precious metals in your accounts are for this purpose to be treated as “financial assets” for purposes of the Uniform Commercial Code.

You are responsible for payment of all obligations related to your transactions in and storage of precious metals. We may elect at any time, with or without notice, to make any debit balance or other obligation related to your transactions in and storage of precious metals immediately due and payable. We also may report any past due amount to a consumer or securities credit reporting agency and refer your accounts to a collection agency.

Whenever it is necessary for our protection (including, without limitation, the filing by, on behalf of, or against you of a petition or other proceeding under any applicable bankruptcy or insolvency laws) or to satisfy any amounts owed to us by you, we may but are not required to sell, assign and deliver all or any part of the precious metals, securities and other property held in your Morgan Stanley accounts, or close any or all transactions in your Morgan Stanley accounts. You are responsible for all debts, costs, commissions and losses arising from any

actions we must take to liquidate or close your precious metal transactions. In addition, you agree that we shall be entitled to apply any dividends, capital gains payments, interest payments or other incoming funds to cover fees or other indebtedness to us.

We may transfer precious metals, securities and other property from any brokerage account in which you have an interest to any other brokerage account, regardless of whether there are other owners of either account, in order to satisfy deficiencies in any such account or if we think your obligations in any such account are not adequately secured.

It is our policy to attempt to contact you, when practicable, before taking any action described in this section; however, we reserve the right to take any such action without prior notice or demand for additional collateral and free of any right of redemption. Any prior demand, call or notice will not be considered a waiver of our right to sell or buy without demand, call or notice.

We may choose which precious metals, securities or other property to buy or sell, which transactions to close and the sequence and timing of liquidation. Our choices may have adverse tax consequences or investment implications for you. We may take such actions on whatever exchange or market and in whatever manner (including public auction or private sale) that we choose in the exercise of our business judgment. You agree not to hold us liable for the choice of which precious metals, securities or other property to buy or sell or of which transactions to close or for the timing or manner of the liquidation.

LOSSES DUE TO EXTRAORDINARY EVENTS

We are not responsible for, and you agree not to hold us liable for, losses caused directly or indirectly by conditions beyond our control, including, but not limited to, war, terrorism, natural disasters, government restrictions, exchange or market rulings, strikes, interruptions of communications or data processing services, news or analysts' reports, market volatility or disruptions in orderly trading on any exchange or market.

Lending Services

Increase and extend your liquidity, customized to your needs. Four programs that accommodate a full range of lending needs.

Our lending services can help maximize your liquidity for a variety of business and personal needs. From straightforward Margin loans to the greater flexibility of a Portfolio Loan Account and Express CreditLine to Tailored Lending for some of the most complex credit needs, we can construct a lending solution designed to meet your requirements.

Express CreditLine

An Express CreditLine (“ECL”),¹ offered by Morgan Stanley Smith Barney LLC, can help you unlock the value of your assets and gain quick and efficient access to funds by allowing you to borrow money against the value of qualifying securities in your brokerage account – with the securities in your brokerage account serving as collateral for the loan. ECL is a variable rate revolving line of credit tied to your brokerage account with no minimum draw or facility amount. Pricing is tiered and the interest is based on your outstanding balance.

INTEREST RATES

Interest rate is based on an ECL Base Lending Rate (BLR) plus or minus a percentage – also known as a spread – which is determined by the debit balance amount. The ECL BLR is set by Morgan Stanley and it is currently 4.75%.

¹ Disbursements are subject to available credit and are the sole discretion of Morgan Stanley Smith Barney LLC.

AVERAGE DAILY DEBIT BALANCE	PERCENTAGE ADDED TO BLR
\$0 – \$9,999	2.00%
\$10,000 – \$24,999	1.50%
\$25,000 – \$49,999	1.00%
\$50,000 – \$74,999	0.50%
\$75,000 – \$99,999	0.00%
\$100,000 – \$499,999	-0.25%
\$500,000 – \$999,999	-0.75%
\$1,000,000 – \$4,999,999	-1.50%
\$5,000,000 – \$9,999,999	-2.00%
\$10,000,000+	-2.25%

On **January 2, 2013**, accounts with ECL that do not have Preferred Interest Rates (i.e., rates that are negotiated rather than based on the Standard ECL Interest Rate Schedule), or that have not been charged interest since January 1, 2012 will be subject to the updated applicable ECL interest rates below. You may view these changes online through <http://www.morganstanley.com/> online starting January 2nd.

AVERAGE DAILY DEBIT BALANCE	PERCENTAGE ADDED BLR
\$0 – \$24,999	+2.00%
\$25,000 – \$49,999	+1.00%
\$50,000 – \$99,999	+0.50%
\$100,000 – \$499,999	-0.25%
\$500,000 – \$999,999	-0.75%
\$1,000,000 – \$4,999,999	-1.50%
\$5,000,000 – \$9,999,999	-2.00%
\$10,000,000+	-2.25%

ACCESS FUNDS VIA BROKERAGE ACCOUNT

An ECL is not only quick and easy to set up but it also allows you to access funds via the checkbook and debit card tied to your brokerage account. You can access funds from your ECL via branch initiated wire and online money movement.

Your ECL can be used to pay tax obligations, purchase real estate and luxury items, while avoiding the need to liquidate your securities. Loan proceeds can be used for any suitable purpose except to purchase, trade or carry securities or repay debt incurred for any such purchase and cannot be deposited into a Morgan Stanley or other brokerage account.

REVOLVING LINE OF CREDIT

ECL is a revolving line of credit with no minimum loan amount that allows you to borrow against eligible restricted/control stocks and Morgan Stanley affiliate issued securities, such as Morgan Stanley stocks.

Portfolio Loan AccountSM

A Portfolio Loan Account (“PLA”),² offered by Morgan Stanley Bank, N.A. can help meet your financing needs while helping to keep your overall investment strategy on track. A PLA provides you with credit, through a variable line of credit, fixed rate loan or standby letter of credit, based on the value of the eligible securities pledged as collateral. PLA’s tiered interest rate is based on your PLA-approved facility amount, giving you access to very competitive interest rates.

INTEREST RATES

The minimum facility amount is \$100,000. Interest rates are based on the Portfolio Loan Account approved facility amount.

APPROVAL AMOUNT	INTEREST INDEX RATE, PLUS
\$100,000–\$249,999	5.00%
\$250,000–\$499,999	4.00%
\$500,000–\$999,999	3.50%
\$1,000,000–\$2,499,999	3.00%
\$2,500,000–\$4,999,999	2.75%
\$5,000,000–\$9,999,999	2.50%
\$10,000,000+	2.25%

QUICK ACCESS TO YOUR FUNDS

Opening a PLA is quick and easy. A PLA requires minimal documentation and does not include origination or maintenance fees. Once you establish a PLA, your funds are typically available in a few days, and you can get credit repeatedly without having to reapply for a loan each time as long as funds are available.

Your PLA loan can be used to purchase real estate, luxury purchases such as boats or planes, or simply to provide liquidity, while maintaining your portfolio’s current market exposure. Loan proceeds can be used for virtually any reason except to purchase, trade or carry margin stock.

REVOLVING LINE OF CREDIT & FIXED RATE LOANS

Use your PLA as a revolving line of credit or fixed rate loan to maintain cash flow while making large purchases such as real estate and using your eligible restricted or concentrated stock as collateral. You can lock in a PLA Fixed Rate Loan for up to seven years with various payment options.

STANDBY LETTERS OF CREDIT

Standby Letters of Credit,³ which help establish proof of funds, can be used to back up a credit line for a small business, for example, or to guarantee advance payments.

² Disbursements are subject to available credit and are at the sole discretion of Morgan Stanley Bank, N.A.

³ Annual fees will apply for Standby Letters of Credit, if issued, and may be charged on other credit facilities.

Tailored Lending

For more significant borrowing needs, Tailored Lending⁴ gives you a great amount of flexibility in customizing tailored solutions for any nonpurpose need. From broader access to collateral sources (including real estate) to wider pricing and term options, Tailored Lending can unlock areas of your balance sheet that until now have been inaccessible, for either business or personal needs.

FREER ACCESS TO YOUR WEALTH

Loan types⁵ include lines of credit, term loans and letters of credit, and maturities can range from demand to committed (364 days to 10 years). With more options, you have greater opportunity to create the most appropriate lending solution.

HIGHER ADVANCE RATES

Structured Lending expands your eligible collateral to marginable securities and (on a case-by-case basis) business assets, real estate and other assets. That may let you tap into a larger portion of your total wealth for a number of liquidity needs. Release rates that currently offer up to 89% on diversified portfolios and up to 70% on concentrated positions; restricted stock and other assets will be considered on a case-by-case basis.

POTENTIAL RISKS

A Tailored Lending loan collateralized with securities, Margin loans and Portfolio Loan Account and Express CreditLine are securities based loans, which can be risky and are not suitable for all investors. Before securing a securities based loan, you should understand the following risks:

- Morgan Stanley and/or its affiliates can call the loan at any time and for any reason. Sufficient collateral must be maintained to support your loan(s) and to take future advances.
- You may have to deposit additional cash and/or eligible securities on short notice.
- Some or all of your securities may be sold without prior notice in order to maintain account equity at required maintenance levels. You will not be entitled to choose the securities that will be sold. These actions may interrupt your long-term investment strategy and may result in adverse tax consequences or in additional fees being assessed.
- Morgan Stanley and/or its affiliates reserve the right not to fund any advance request due to insufficient collateral or for any other reason.
- Morgan Stanley and/or its affiliates can increase your collateral maintenance requirements at any time without notice. Securities based loans may be called by Morgan Stanley (and/or its affiliates) at any time, in its discretion, regardless of whether or not an “Event of Default” has occurred. Events of Default include but are not limited to any of the following:
 - Borrower fails to pay any amount under the Client Agreement.
 - Failure to maintain sufficient collateral; death of borrower or any other Loan Party; filing for bankruptcy, liquidation, insolvency.
 - Material adverse changes in financial condition of the borrower.

The Portfolio Loan Account program is offered by Morgan Stanley Bank, N.A., an affiliate of Morgan Stanley. The Tailored Lending program is offered by Morgan Stanley Private Bank,

⁴ Tailored Lending is offered through Morgan Stanley Private Bank, National Association.

⁵ All facilities are subject to credit approval and Morgan Stanley Private Bank, National Association due diligence. Terms and conditions are subject to change at any time.

National Association, which is also an affiliate of Morgan Stanley. Margin and Express CreditLine loans are offered through Morgan Stanley Smith Barney LLC. All loans are subject to credit approval by either Morgan Stanley Bank, N.A., Morgan Stanley Private Bank, National Association, or Morgan Stanley Smith Barney LLC depending upon the type of loan. Some loan products may not be available in all states. Rates, terms and programs may be subject to change at any time. Investments and services offered by Morgan Stanley, member SIPC.

Margin

Margin⁶ can be a convenient, sophisticated and integrated solution that allows you to borrow money against the value of qualifying securities in your brokerage account while providing an opportunity to maintain your overall wealth management strategy intact. You have immediate access to Margin when you open an Active Assets Account, Business Active Assets Account or BusinessScape Account, unless you instruct us otherwise. For other eligible account types, you must complete a separate Margin Account Agreement in order to obtain Margin privileges. Margin is integrated with your brokerage statement so the amount you borrow will appear on your statement and charged a competitive interest rate based on your outstanding debit balance, as described below and in the agreement governing your Margin privileges.

Margin proceeds can be used for any suitable purpose including the purchase of additional marginable securities or to repay Margin debt, employ sophisticated investing strategies, luxury purchase or to act as “overdraft” capability for your brokerage account. The account is conveniently set up automatically with your brokerage account and supports various options strategies, allowing for hedging or liquidity against concentrated and restricted stock positions.

It is important that you understand fully the risks involved in trading securities on Margin, which include, but are not limited to, those discussed in this booklet.

Margin is not suitable for everyone. You should examine your investment objectives, financial resources and risk tolerance to determine whether borrowing against securities, and trading on Margin in particular, is appropriate for you. The increased leverage that Margin provides may heighten both the risks and rewards of investing. Margin privileges are subject to the firm's review and approval, are granted at the sole discretion of the firm and are not automatically extended to clients. Morgan Stanley reserves the right to change the maintenance requirements at any time, without notice to you, due to the volatility and liquidity of your securities and the overall market conditions.

MARGIN INTEREST CALCULATIONS

Your interest rate is determined by the size of your Margin loan (or debit) in your Margin account on a daily basis. Interest is based on a Margin Base Lending Rate (BLR) plus an additional percentage that varies based on your daily close of business net settled debit balance. Our Margin BLR reflects the broker call rate, the prime rate, the federal funds rate and other commercially recognized interest rates. The BLR, and therefore the total interest rate you are charged, may change without notice. The current rate is posted on our website at www.morganstanley.com/online.

If the total interest rate charged to you pursuant to the schedule below changes for any reason other than an increase to the BLR, we will give you at least 30 days advance written notice.

The current percentage that is added to our BLR is as follows:

⁶ Generally, not available for Qualified Retirement Accounts (including IRAs), Education Savings Accounts or Investment Advisory Accounts.

AVERAGE DAILY DEBIT BALANCE	PERCENTAGE ADDED TO BLR
\$0 – \$9,999	2.25%
\$10,000 – \$24,999	1.75%
\$25,000 – \$49,999	1.25%
\$50,000 – \$74,999	0.75%
\$75,000 – \$99,999	0.50%
\$100,000 – \$499,999	0.25%
\$500,000 – \$999,999	-0.75%
\$1,000,000 – \$4,999,999	-1.13%
\$5,000,000 – \$9,999,999	-1.38%
\$10,000,000+	-1.88%

On **January 2, 2013**, Margin accounts that do not have Preferred Interest Rates (i.e., rates that are negotiated rather than based on the Standard Margin Interest Rate Schedule), or that have not been charged interest since January 1, 2012 will be assigned the updated applicable margin interest rates below. You may view these changes online through <http://www.morganstanley.com/online> starting January 2nd.

AVERAGE DAILY DEBIT BALANCE	PERCENTAGE ADDED TO BLR
\$0 – \$24,999	+2.250%
\$25,000 – \$49,999	+1.250%
\$50,000 – \$99,999	+0.750%
\$100,000 – \$499,999	+0.250%
\$500,000 – \$999,999	-0.750%
\$1,000,000 – \$4,999,999	-1.125%
\$5,000,000 – \$9,999,999	-1.375%
\$10,000,000 – \$19,999,999	-2.625%
\$20,000,000 – \$49,999,999	-3.125%
\$50,000,000+	-3.625%

The interest rate charged to you may be an individually negotiated Preferred Interest Rate instead of an interest rate based on the above schedule. At the time any Preferred Interest Rate is established for your Margin loan, your Financial Advisor or Private Wealth Advisor will notify you of the expiration date for your Preferred Interest Rate. If, prior to its expiration date, your Preferred Interest Rate changes for any reason other than a change to the base lending rate or a change in your average daily debit balance, we will give you at least 30 days advance written notice of the change. After its expiration date, we may change your Preferred Interest Rate without giving you any prior notice of the change.

We reserve the right to charge a different (i.e., higher or lower) interest rate based on factors determined by us in our sole discretion including, but not limited to, a high concentration of a security or a business sector, low-priced or speculative securities, account activity or your reason for borrowing.

DETERMINING YOUR DEBIT BALANCE

You are charged interest on the net settled debit balance in your account at the end of each day. Your daily close of business net settled debit balance is calculated by combining your Free Credit Balance, Designated Sweep Investment Balance (if applicable), and Margin debit balance. This calculation excludes credit balances in your short sale account.

Periodically, we may “mark to market” any securities you sell short (or “short against the box”) and adjust your debit balance accordingly. If a security you sold short appreciates in market value over the selling price, your net debit balance will increase. If the security you sold short depreciates in value, your debit balance will decrease.

Your debit balance decreases when you deposit funds, receive dividend payments or sell securities, since we automatically use those funds to pay down your loan from us. Your net settled debit balance increases when you buy securities on margin, withdraw funds or are charged interest or other charges.

INTEREST CHARGES

The interest rate on debit balances is calculated as follows:

$$\text{Daily Close of Business Net Settled Debit Balance} \times \frac{\text{Applicable Interest Rate}}{360}$$

Margin interest accrues daily throughout the month and is added to your debit balance at month-end. The month-end interest charge is the sum of the daily accrued interest calculations for the month. No interest is calculated on days when the Account has a zero balance or a credit balance. If you do not pay your interest charges on a periodic basis, you are more likely to receive a Margin Call because your debit balance will continue to increase.

Before opening a Margin account, carefully read the Margin Disclosure Statement below and any agreement governing your brokerage account for complete information. Please contact your Financial Advisor for more details or visit <http://www.morganstanley.com/wealth/investmentsolutions/disclosures.asp>

Margin Disclosure Statement

Morgan Stanley, as applicable (“we,” “us” or “our”), is furnishing this Margin Disclosure Statement to provide some basic facts about purchasing securities on Margin and to alert you to the risks involved with trading securities in a margin account. Before trading stocks in a Margin account, you should carefully review this Margin Disclosure Statement, the margin provisions in the Client Agreement, and the Margin Account Agreement (where applicable). In the event of a conflict between this Margin Disclosure Statement and any other agreements you may have with Morgan Stanley, the other agreements will govern. If you have any questions or concerns, please contact your Financial Advisor or Private Wealth Advisor.

When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price from us. If you choose to borrow funds from us, you will open a Margin account with us. The securities purchased are our collateral for the loan to you. If the securities in your accounts decline in value, so does the value of the collateral supporting your loan and, as a result, we can take action, such as issuing a Margin Call and/or selling securities or other assets in any of your accounts held with us, in order to maintain the required equity in the accounts.

Please note, however, that we do not take into account any Traditional, Roth, Rollover, Inherited, SEP, SAR-SEP or SIMPLE IRA; VIP, RPM or EBT account; Coverdell Education Savings Account; or other account holding assets of “a plan” as defined in Section 4975 of the Internal Revenue Code (collectively, “Retirement and Education Savings Account”) in determining

available margin credit or in connection with exercising our margin requirement rights under any account of a different type (i.e., accounts which are not “tax qualified”), or vice versa, as set forth in this disclosure statement or otherwise.

It is important that you understand fully the risks involved in trading securities on Margin, which include but are not limited to the following:

You can lose more funds than you deposit in the Margin Account

A decline in the value of securities purchased on margin may require you to provide additional funds to Morgan Stanley to avoid the forced sale of those or other securities or assets in your Accounts.

We can force the sale of securities or other assets in your Accounts

If the equity in your Account falls below the NYSE Margin maintenance requirements or Morgan Stanley's higher “house” requirements, we can sell the securities or other assets in any of your Accounts held at Morgan Stanley to cover the Margin deficiency. You also will be responsible for any shortfall in the account after such a sale.

We can sell your securities or other assets without contacting you

Some investors mistakenly believe that their brokerage firm must contact them for a Margin Call to be valid and that their firm cannot liquidate securities or other assets in their accounts to meet the call unless the firm has contacted them first. This is not the case. Although, we may attempt to notify you of Margin Calls, we are not required to do so. Furthermore, even if we contacted you and provided a specific date by which to meet a Margin Call, we can still take the steps necessary to protect our financial interests, including selling the securities immediately without notice to you.

You are not entitled to choose which securities or other assets in your Accounts are to be liquidated or sold to meet a Margin Call

Because the securities are collateral for the Margin loan, we have the right to decide which securities to sell in order to protect our interests.

We can increase our “house” Margin maintenance requirements at any time and are not required to provide you advance written notice.

These changes in policy often take effect immediately and may result in the issuance of a Margin maintenance call. Your failure to satisfy the call may require us to liquidate or sell securities in your Account.

You are not entitled to an extension of time on a Margin Call

While an extension of time to meet Margin requirements may be available to you under certain conditions, you do not have a right to the extension.

We may rehypothecate the securities in your Accounts

We may borrow money to lend to you or other Margin clients and pledge your securities as collateral for such loans. You authorize us to lend any security in the Margin credit portion of your Accounts, together with all attendant rights of ownership, either separately or together with the assets of other Margin clients, to us or to others without notice to you. In connection with such loans, and securities loans made to you to facilitate short sales, we are authorized to receive and retain certain benefits, including interest on your collateral posted for such loans, to which you may not be entitled. In addition, we may receive compensation in connection with such loans. In some circumstances, such loans may limit your ability to exercise voting rights of the securities lent, either in whole or in part.

The Jobs and Growth Tax Relief Reconciliation Act of 2003 (the “Act”) reduced the maximum U.S. federal income tax rate on qualifying dividends to 15%. However, receipt of payment in lieu of dividends (i.e., substitute dividends) will not be eligible for the reduced 15% tax rate. Since assets held in Margin accounts held with us are generally subject to rehypothecation, substitute (rather than actual) dividends may be received by Margin account customers. Under the Act, such dividends will not qualify for the lower rates on dividends.

Mutual Fund Share Classes and Compensation

You have many funds to choose from when it comes to investing your money. Once you choose a fund, you may also need to choose among the fund’s different share classes, each of which features a different cost structure. It’s important to understand how mutual fund fees and expenses, and your choice of share class, affect your investment and return. Of course, you also need to consider the fund’s investment objectives and policies, and its risks.

Summarized below is some important information about mutual fund share classes and the types of fees and expenses you may be required to pay depending upon the share class you select. This summary also explains how Morgan Stanley and your Financial Advisor are compensated when you invest in mutual funds. You can visit the website sponsored by the U.S. Securities and Exchange Commission (www.SEC.gov), the Financial Industry Regulatory Authority (www.FINRA.org), the Securities Industry and Financial Markets Association (www.sifma.org) and the Investment Company Institute (www.ICI.org) to obtain additional educational information about mutual funds.

The following information principally pertains to mutual fund sales transacted through commission-based brokerage accounts. For more information on fees and expenses in our fee-based advisory account programs, please refer to the applicable Morgan Stanley ADV Brochure. You should consider all the available methods for purchasing and holding mutual fund shares discussed in this booklet and in your program documents.

Note: Before buying any mutual fund, request a prospectus from your Financial Advisor and read it carefully. The prospectus contains important information on fees, charges and investment objectives which should be considered carefully before investing.

EACH MUTUAL FUND IS DIFFERENT

Mutual funds are securities that are offered for sale through a prospectus. First and foremost, before investing in a mutual fund, you should read the fund’s prospectus carefully. You can also request a copy of the fund’s Statement of Additional Information (“SAI”), if needed, for additional details.

All funds charge investment management fees and ongoing expenses for operating the fund that you will pay as long as you are invested. A fund’s prospectus describes, among other things, the fund’s investment objective and principal strategy, risks, share classes and expenses. The prospectus and SAI also describe how sales charges and expenses vary by share class, and how investors can qualify for sales charge reductions based upon the amount of their investments or other circumstances. Of course, in choosing a mutual fund investment, you should consider the fund’s investment objectives and policies, and its risks – not just the costs and expenses of investing in a particular fund and share class. Determine if they match your own goals. Your Financial Advisor can provide assistance if you have questions.

FUND TRANSFER RESTRICTIONS

Certain mutual funds may not be transferable from an account at one brokerage firm to an account at other brokerage firms. A common factor limiting transferability is when a fund or its principal distributor does not have a selling or other agreement in place with the other brokerage

firm. If a particular fund family's funds are not transferable to another brokerage firm, you may have the following options: leave the position in an account at the original brokerage firm; or have the position re-registered in your name on the books and records of the fund company or its transfer agent. As an alternative, you may liquidate the position and transfer the proceeds. This option may have tax implications and/or other costs. For further information regarding the transferability of a particular fund's shares, please refer to the fund's Prospectus and SAI, or call your Financial Advisor.

THE BASICS OF MUTUAL FUND SHARE CLASSES

A single mutual fund usually offers different pricing arrangements or "classes" of its shares to meet investor preference and needs. The most common mutual fund share classes available in commission-based brokerage accounts – A, B and C – are described below. Each share class represents investments in the same mutual fund portfolio but offers investors a choice of how and when to pay for fund distribution costs. Fund families may also offer specialized share classes such as Class R shares designed for retirement plan accounts. In addition, many funds utilize "no-load" share classes – typically offered with no front-end or back-end sales charges – but these share classes are generally only available in Morgan Stanley's fee-based advisory account programs. Please refer to the applicable Morgan Stanley ADV Brochure for more information on fees and expenses for these accounts.

The key distinctions among share classes are the sales charges and ongoing fees and expenses you may pay in connection with your investment in the fund. The compensation received by your Financial Advisor for selling you shares of the fund also will be directly affected by the share class you purchase.

Your Financial Advisor is available to help you decide which class of shares is generally the most economical for you. Morgan Stanley also employs share class limits and other tools to assist with the share class selection process. You may also refer to the information provided below. The principal considerations are the size of your investment and the anticipated holding period. Investors generally should purchase Class A shares (the initial sales charge alternative) or Class B shares (the deferred sales charge alternative) if they expect to hold the investment over the long-term (typically, five years or more). Class C shares (the level sales charge alternative) are generally appropriate for shorter-term holding periods.

Investors anticipating large purchases should consider Class A rather than Class B shares since the former typically offer sales-charge discounts ("breakpoints") beginning at \$25,000 that increase as the size of your investment increases. Shorter-term investors anticipating very large purchases (typically \$500,000 and above) should also consider Class A rather than Class C shares due to the significant breakpoint discounts available at those investment levels.

When deciding which fund and which share class within a fund makes the most economic sense for you, you should ask your Financial Advisor about the effect of a number of factors on your costs, including:

- How long you plan to hold the fund;
- The size of your investment;
- Whether you will be adding to the investment in the future;
- The expenses you'll pay for each class;
- Whether the amount of your initial or intended investment, together with other eligible fund investments, qualifies you for any sales-charge discounts (that is, whether you should execute a Letter of Intent, whether you are entitled to a Right of Accumulation, or whether you are entitled to a breakpoint discount); and
- Whether you will be selling other mutual fund shares to fund your investment (that is, whether you might qualify for a load waived transfer or repurchase).

12B-1 FEES AND OTHER FEES

12b-1 fees take their name from the Securities and Exchange Commission rule that created them. They are fees charged against your mutual fund assets on a continuing basis that cover marketing, distribution and shareholder services costs. 12b-1 fees may also be used, in part, to offset the amounts payable by the fund's principal distributor as compensation to selling firms where the fund share class does not have a front-end sales charge. The portion of the 12b-1 fee that is used for distribution expenses is effectively an asset-based sales charge paid over time instead of charged as a front-end sales load.

The amount of the 12b-1 fee is charged as a percentage of the fund's total assets attributable to the share class. A fund also deducts certain other ongoing fees from its assets to pay firms that provide various services to the fund, such as the fund's investment advisor, transfer agent, custodian and administrator. 12b-1 fees, investment management fees and other ongoing expenses are described in the mutual fund's prospectus Fee Table. These fees will vary from fund to fund and for different share classes of the same fund. You can use prospectus Fee Tables to help you compare the annual expenses of different funds.

CLASS A SHARES

Purchasers of Class A shares are typically charged a front-end sales charge or commission (sales charges on mutual funds are also referred to as "loads") that is included in the price of the fund shares. When you buy shares with a front-end sales charge, a portion of the money you invest is used to pay the sales charge. For example, if you invest \$10,000 in a fund and the front-end load is 5 percent, you would be charged \$500, and the remaining \$9,500 would be invested in the chosen fund. Class A share 12b-1 fees (generally 0.25% or \$25 per \$10,000.00 of fund assets per year) typically are lower than those of Class B or C shares. Funds may offer purchasers of Class A shares volume discounts — also called breakpoint discounts — on the front-end sales charge if the investor:

- Makes a large purchase;
- Holds other mutual funds offered by the same fund family;
- Commits to purchase additional shares of the fund; or
- Has family members (or others with whom they may link purchases according to the prospectus) who hold funds in the same fund family.

HOW BREAKPOINTS WORK

When you purchase Class A shares at or above a "breakpoint," you are entitled to pay a reduced front-end sales charge. For example, suppose the prospectus says that a breakpoint occurs when you purchase \$50,000 or more of Class A shares. If you buy less than \$50,000 worth of shares, the sales charge is 5.75%. If you buy \$50,000 or more worth of shares, the sales charge is 4.50%. Now, suppose you buy \$49,500 worth of Class A shares. You would pay \$2,846.25 in sales charges.

If you buy \$50,000 of shares, you would pay only \$2,250. In this example, by choosing to invest an additional \$500 you would actually pay \$596.25 less in the front-end sales charge, and those savings would increase your net investment in the fund.

Mutual funds typically offer multiple breakpoints, each at increasingly higher investment levels. Increasing your investment size, if you are able and willing to do so, can allow you to take advantage of higher breakpoints and further reduce the sales charges you pay. It is important that you understand how breakpoints work so that, consistent with your investment objectives, you can take advantage of the lowest possible front-end sales charge.

Below is a typical breakpoint discount schedule showing the front-end sales load applicable to a purchase of Class A shares at different levels of investment. Different funds and fund families may have different breakpoint schedules.

SAMPLE BREAKPOINT SCHEDULE

Class A Shares (Front-End Sales Load)

INVESTMENT AMOUNT	SALES LOAD
Less than \$25,000	5.00%
\$25,000 or more but less than \$50,000	4.25%
\$50,000 or more but less than \$100,000	3.75%
\$100,000 or more but less than \$250,000	3.25%
\$250,000 or more but less than \$500,000	2.75%
\$500,000 or more but less than \$1 million	2.00%
\$1 million or more	0.00%

RIGHTS OF ACCUMULATION AND LETTERS OF INTENT

What if you cannot immediately invest the amount necessary to achieve a breakpoint discount? You still might be able to qualify for a breakpoint discount based on two different opportunities — called “rights of accumulation” and “letters of intent.”

RIGHTS OF ACCUMULATION

A right of accumulation (“ROA”) generally permits you to accumulate or combine your existing fund family holdings with new Class A purchases of the same fund family’s funds for the purpose of qualifying for breakpoints and associated discounts. For example, if you are investing \$10,000 in Class A shares of a fund today, and you already own \$40,000 in Class A shares of that fund family, the fund may allow you to combine those investments to reach a \$50,000 breakpoint, entitling you to a lower sales load on your \$10,000 purchase today. Please refer to the fund prospectus for details as rules may vary from fund family to fund family.

LETTERS OF INTENT

A letter of intent (“LOI”) is an agreement that expresses your intention to invest an amount equal to or greater than a breakpoint within a given period of time, generally 13 months after the LOI period begins. Many fund companies permit you to include purchases completed within 90 days before the LOI is initiated for the purpose of obtaining a breakpoint discount. If you expect to make additional investments during the next 13 months in a fund with a front-end sales load, it’s worth finding out if an LOI can help you qualify for a breakpoint discount to reduce your front-end sales charge.

Important Note: If you do not invest the amount stated in your LOI during the 13-month period, the fund can redeem a portion of the shares that you hold to retroactively collect the higher sales charge that would have applied to your purchase without the LOI.

FAMILY AND RELATED ACCOUNT DISCOUNTS

Fund families typically permit you to aggregate fund family holdings in other accounts that you and your family may own, including fund assets held at other brokerage firms, for the purpose of achieving a breakpoint discount. For example, a fund may allow you to qualify for a breakpoint discount by combining your fund purchases with those of your spouse or minor children. You also may be able to aggregate mutual fund transactions in certain retirement accounts, educational savings accounts or any accounts you maintain at other brokerage firms. In some instances, employer-sponsored retirement or savings-plan accounts may be aggregated. These features vary among fund families.

MULTIPLE FUND FAMILIES

Sometimes investors may choose to invest in multiple fund families. These investors perceive benefits that may include diversification, the ability to select those funds that they believe will have the best opportunity for outperforming other funds in specific fund categories, or the ability to invest in unique funds that may not be available in a single fund family. However, it is important to bear in mind this investment strategy reduces the opportunities to qualify for breakpoint discounts and can, as a result, increase the cost of investing in the funds selected. Also, there is no guarantee that a multifamily investment strategy will provide significant diversification or outperform a single-family strategy.

CLASS B SHARES

Investments in Class B shares typically are not subject to a front-end sales charge, but purchasers normally are required to pay a contingent deferred sales charge (“CDSC”) on shares sold during a specified time period (typically six years). In addition, Class B shares are subject to higher 12b-1 fees (generally, 1.00% or \$100 per \$10,000.00 of fund assets per year), which result in higher ongoing expenses than Class A shares. The portion of the 12b-1 fee that is used for distribution expenses is effectively an asset-based sales charge paid over time rather than a front-end sales charge applicable to Class A share purchases. These charges allow the fund’s distributor to recover its costs of distributing the fund. Part of these costs include compensation, also known as a “dealer concession,” paid by the fund’s distributor to Morgan Stanley Financial Advisors. Dealer concessions on equity funds are typically 4.5% of the purchase price regardless of the size of the investment since, unlike Class A shares, there are no breakpoint discounts applicable to Class B shares. The CDSC associated with an investment in Class B shares declines over time, and in most funds is eventually avoided entirely following the expiration of a designated holding period. Upon the expiration of that holding period, or shortly thereafter, Class B shares typically “convert” into Class A shares, at which point the investment will begin to be charged the Class A shares’ lower 12b-1 fees. For these reasons, even though they carry no front-end load, Class B shares are not, and should not be viewed as, “no-load” shares.

It is important to bear in mind that the CDSCs and higher 12b-1 fees charged on Class B shares can cost you more than the Class A front-end sales charges, especially on purchases that are eligible for breakpoint discounts. This can make Class B shares more expensive to you and economically inferior to Class A shares depending upon the fund, the amount invested in the fund, and the holding period. If you are considering investing in Class B shares, you should discuss with your Financial Advisor whether an investment in Class A shares might be preferable for you, considering the availability of breakpoint discounts on the front-end sales charge and the generally lower 12b-1 fees of Class A shares.

CLASS C SHARES

Investments in Class C shares usually are not subject to front-end sales charges. However, purchasers of Class C shares are typically required to pay a CDSC if the shares are sold within a short time of purchase, usually one year. The 12b-1 fees associated with Class C shares are typically higher than those of Class A shares. Similar to Class B shares, the portion of the 12b-1 fee that is used for distribution expenses, typically 0.75% per year of the fund’s assets, is effectively an asset-based sales charge paid over time rather than a front-end sales charge applicable to Class A share purchases. These charges allow the fund’s distributor to recover its costs of distributing the fund (including compensation payable to Financial Advisors). However, unlike Class B shares these fees continue indefinitely, because in most cases the Class C shares do not convert into Class A shares as Class B shares typically do. It’s important to refer to the Fund’s prospectus for complete information.

In most cases, owning Class C shares over longer holding periods will be more expensive than owning Class A shares or Class B shares. Remember that higher expenses will mean

reduced investment performance. Class C shares are often purchased by investors who have a shorter-term investment horizon, because during those first years they will generally be cheaper to buy and sell than Class A or Class B shares.

SINGLE SHARE CLASS FUNDS

Certain fund families may offer only one share class for investors who purchase the funds through commission-based brokerage accounts. These single share class funds are generally similar to the Class C shares offered by other fund families. Typically, the 12b-1 fees associated with these shares are higher than those of Class A shares and they continue indefinitely. In addition, these single share class funds do not typically offer sales-charge discounts (“breakpoints”) on large individual or cumulative purchases. Because these discounts can be significant, especially at investment levels of \$500,000 or more, investors should consider all factors when making such an investment, including the impact that the share class fees can have on performance and the fact that other fund families offer breakpoints. Speak with your Financial Advisor for more information.

RETIREMENT SHARES

Many mutual fund families offer one or more share classes specifically for use by employer-sponsored retirement plans as investment options for plan participants (“Retirement Shares”). Some fund companies offer Class A shares with the front-end sales load waived, while others offer a share class that is dedicated solely to employer-sponsored retirement plans and does not charge a front-end or back-end sales load (e.g., “R shares”). In either case, the mutual fund families generally have specific eligibility criteria and/or plan asset size or participant number requirements for purchasing the shares.

ADVISORY ACCOUNT (NO-LOAD) SHARES

No-load shares do not have front-end or back-end sales charges, and their expenses are typically the lowest of any share class. Morgan Stanley may offer these shares in many of its fee-based advisory programs. These accounts charge fees for the advice and services provided to clients based upon a percentage of billable assets held in the account. Please refer to the applicable Morgan Stanley ADV Brochure for more information on the fees and expenses for these accounts.

REDUCING OR ELIMINATING SALES CHARGES

Fund families typically offer options to reduce or eliminate sales charges in certain instances. The most common options available to investors are within fund family exchange privileges and fund transfer and repurchase fee waiver programs.

EXCHANGES BETWEEN FUNDS WITHIN THE SAME FUND FAMILY

Exchanges between the same share classes of funds within the same fund family typically may be made without sales charges. Funds often limit the number and frequency of transfers that can be made during a certain period of time. Certain funds may impose short-term exchange or redemption fees based on your holding period. Because these time parameters and the amount of any fees vary among mutual fund companies, please check the mutual fund prospectus for more information.

WAIVERS ON FUND TRANSFERS AND REPURCHASES

Many funds allow investors who have redeemed shares from a fund within the same family to either purchase Class A shares without a sales load, or purchase Class B shares and recoup any CDSC paid on the redeemed shares, while resetting the redemption fee clock (or CDSC period) to the period applicable to the original Class B share purchase. For example, if an investor redeemed Class B shares after their CDSC period had expired, then that investor

could, within a specified time period (ranging from 60 days to up to one year), purchase shares in the same fund family in an amount up to the dollar value of the redeemed shares without the new shares being subject to a new CDSC. The new shares would also convert to Class A shares according to the original schedule applicable to the redeemed shares (less any time lapse between redemption and repurchase).

Since each fund or fund family sets its own conditions for these load-waiver programs, you should refer to the fund prospectus and also consult your Financial Advisor for specific program conditions.

UNDERSTAND THE FACTS ABOUT YOUR FEE STRUCTURE

When it comes to front-end sales charges, breakpoint discounts, CDSCs (including whether, and over what time period, they decline), 12b-1 fees and other share-class and pricing terms, each mutual fund follows its own policies, which are described in the fund's prospectus or SAI. Here are some things to keep in mind when making a mutual fund investment.

Understand how breakpoints work. Read the mutual fund prospectus. Consult the fund's SAI, check the fund's website or ask your Financial Advisor for additional information about the sales charges and other costs of owning the fund's different share classes.

Review your mutual fund holdings. Before making a mutual fund purchase, review your account statements and those of your family to identify opportunities to achieve a breakpoint discount. Don't limit your review to accounts at a single brokerage firm. You may have related mutual fund holdings in multiple accounts at different brokerage firms, or with the mutual fund company itself, that can be aggregated for the purpose of achieving a breakpoint discount.

KEEP YOUR FINANCIAL ADVISOR INFORMED

Be sure to tell your Financial Advisor about your mutual fund holdings and those of your family, including holdings at other brokerage firms or with the mutual fund company itself. Also, discuss any plans you may have for making any additional purchases in the future. Discuss your expected investment horizons with your Financial Advisor. With this information, your Financial Advisor can help you select a share class that may help minimize the fees that you will pay over the life of your investment.

OUR RELATIONSHIP WITH MUTUAL FUND FAMILIES

Morgan Stanley offers clients a large selection of mutual funds. We review and evaluate each fund family whose mutual funds we offer based upon various factors, including but not limited to:

- number and variety of funds offered;
- length of track record and historical appeal to our clients and Financial Advisors;
- short- and long-term performance of the funds offered;
- size of assets under management;
- ability to support our Financial Advisors and clients through training, education and sales literature; and
- level of interest and demand among our clients and Financial Advisors.

Evaluating the fund families in this manner allows us to focus our marketing and sales support resources on the fund families of greatest interest to our clients and their Financial Advisors. Our Financial Advisors are not permitted to execute investments in funds that we have not reviewed and evaluated.

HOW WE ARE COMPENSATED FOR MUTUAL FUND SALES

Brokerage Accounts – Sales Charges

Each time you purchase a mutual fund in a commission-based brokerage account, the fund family pays an amount to us as compensation based upon the amount of your investment and the share class you have selected. A portion of these payments is allocated to your Financial Advisor.

A fund's dealer-compensation practices are described in its prospectus and SAI. Typically, for front-end sales charge share classes, the fund families pay Morgan Stanley most of the initial sales charge you pay. For back-end sales-charge share classes (and for very large Class A share purchases that qualify for a complete waiver of their front-end sales charge), the fund distribution company pays Morgan Stanley a selling fee at a rate set by the fund family.

Morgan Stanley also receives shareholder-servicing payments (sometimes called trails) as long as you continue to hold the shares in your Morgan Stanley account or directly at the fund if we act as your "broker of record." These payments are generally made by the fund's principal distributor from 12b-1 fee revenues charged against fund assets. Your Financial Advisor receives a portion of each of these payments.

The portion of these payments that we pay to your Financial Advisor is based upon Morgan Stanley standard compensation formulas. Morgan Stanley's Financial Advisor compensation formulas are the same regardless of which fund you purchase. However, some funds may impose higher sales charges than others, which can affect the amount paid to your Financial Advisor. In addition, because funds' sales charges are different for their different share classes, the choice of share class can significantly affect the compensation your Financial Advisor receives.

Feel free to ask your Financial Advisor how he or she will be compensated for any mutual fund transaction.

BROKERAGE ACCOUNTS—REVENUE SHARING

Morgan Stanley charges each fund family we offer a mutual fund support fee, also called a revenue-sharing payment, up to a maximum per fund family of 0.16% per year (\$16 per \$10,000 of assets) on the mutual fund holdings of our brokerage account clients. The minimum charge is \$250,000 per year per fund family.

Revenue-sharing payments are in addition to the sales charges, annual distribution and service fees (referred to as "12b-1 fees"), applicable redemption fees and deferred sales charges, and other fees and expenses disclosed in the fund's prospectus fee table. Revenue-sharing payments are generally paid out of the investment adviser's or other fund affiliate's revenues or profits and not from the fund's assets. However, fund affiliate revenues or profits may in part be derived from fees earned for services provided to and paid for by the fund. No portion of these revenue-sharing payments is made by means of brokerage commissions generated by the fund.

It is important to note that Financial Advisors receive absolutely no additional compensation as a result of these revenue-sharing payments received by Morgan Stanley. A list of revenue-sharing fund families, organized by size of payment, is available on our website at the address noted in the "For More Information" section below.

ADVISORY ACCOUNTS—PROGRAM FEES

Mutual funds offered in our advisory account programs are not subject to front-end or ongoing transactional sales charges. Rather, these accounts charge fees for the advice and services provided to clients based upon a percentage of billable assets held in the account. Please refer to the applicable Morgan Stanley ADV Brochure for more information on the fees and expenses for these accounts.

EXPENSE REIMBURSEMENTS AND BRANCH ACCESS

Morgan Stanley receives expense reimbursements and fees for recordkeeping and related services, which are more fully described below. These reimbursements and recordkeeping fees may be viewed in part as a form of revenue sharing but are not included in revenue-sharing payments described above.

Fund families are typically provided with sponsorship opportunities and access to our branch offices and Financial Advisors for educational, marketing and other promotional efforts unless they do not agree to make the support payments described above. Certain fund families

(referred to as “Global Partners”) dedicate significant financial and staffing resources to these activities and may receive additional opportunities to sponsor firm events and promote their funds to our Financial Advisors and clients. This fact could, in turn, lead our Financial Advisors to focus on those funds offered by our Global Partners when recommending mutual fund investments to clients instead of on funds from those fund families that do not commit similar resources to educational, marketing and other promotional efforts. Morgan Stanley selects the Global Partners fund families based on a number of quantitative and qualitative criteria. Our Global Partners are denoted by an asterisk on the Revenue-Sharing Fund Families list available on our website at the address noted in the “For More Information” section below.

Morgan Stanley and its Financial Advisors may be reimbursed by funds or their affiliates or other service providers to offset expenses incurred for internal sales events and training programs as well as client seminars, conferences and meetings held in the normal course of business. Funds or their affiliated service providers may pay vendors directly for these services on our behalf. Fund representatives may also work closely with our branch offices and Financial Advisors to develop business strategies and plan promotional and educational activities. Although fund companies independently decide what they will spend on these activities, some fund companies allocate their promotional budgets based upon prior sales and asset levels. In addition, Global Partners may provide such support at a predetermined amount and on a prefunded basis.

ADMINISTRATIVE SERVICE FEES

Morgan Stanley and/or its affiliates receive compensation from funds or their affiliated service providers for providing certain recordkeeping and related services to the funds. These charges typically are based upon the number or aggregate value of client positions and the levels of service provided. We process transactions with certain fund families on an omnibus basis, which means we consolidate our clients’ trades into one daily trade with the fund, and therefore maintain all pertinent individual shareholder information for the fund. Trading in this manner requires that we maintain the transaction history necessary to track and process sales charges, annual service fees, and applicable redemption fees and deferred sales charges for each position, as well as other transaction details required for ongoing position maintenance purposes. For these services, funds pay, at their election, either up to \$21 per year per position or up to 0.15% per year (\$15 per \$10,000) on fund assets held by our clients in commission-based brokerage accounts.

Because omnibus trading offers economies for us and the funds that are greatest when daily trade volumes are high, we have sought to establish omnibus trading arrangements with the fund families that our clients trade the most. A list of these fund families is available on our website at the address noted in the “For More Information” section below.

All other fund families are traded on a networked basis, which means Morgan Stanley submits a separate trade for each individual client trade to the fund, and therefore we maintain only certain elements of the fund’s shareholder information. We charge these remaining funds a networking fee of up to \$11 per year per position held by our clients.

OTHER COMPENSATION RECEIVED FROM FUNDS

Morgan Stanley or its affiliates receive from certain funds compensation in the form of commissions and other fees for providing traditional brokerage services, including related research and advisory support, and for purchases and sales of securities for fund portfolios. We also receive other compensation from certain funds for financial services performed for the benefit of such funds. Morgan Stanley prohibits linking the determination of the amount of brokerage commissions and service fees charged to a fund to the aggregate values of our overall fund-share sales, client holdings of the fund or to offset the revenue sharing or expense reimbursement and administrative fees described above.

FOR MORE INFORMATION

For additional information on a particular fund's payment and compensation practices, please refer to the fund's Prospectus and Statement of Additional Information. Further information regarding revenue sharing and administrative service fees is available at: <http://www.morganstanley.com/wealth/investmentsolutions/mutualfunds.asp> or by calling your Financial Advisor.

IMPORTANT NOTE

Some of the information in this disclosure has been adapted in part from information available on FINRA's website. We invite you to examine the wealth of information provided on FINRA's website (www.FINRA.org) and the SEC's website (www.SEC.gov). In particular, FINRA's website also contains a fund calculator to assist you in determining which fund share class offers the least expensive fee structure. FINRA's "Fund Analyzer" is located at: <https://apps.finra.org/fundanalyzer/1/fa.aspx>.

Mutual funds are sold by prospectus only. You should consider the investment objectives, risks, charges and expenses of the fund carefully before investing. The prospectus contains this and other information about the fund. You can obtain a prospectus from your Financial Advisor or the fund company's website. Please read the prospectus carefully before investing.

Equity funds are subject generally to market, market sector, market liquidity, issuer and investment style risks, among other factors, to varying degrees. Bond mutual funds are subject generally to interest rate, credit liquidity and market risks to varying degrees. These risks are more fully described in the fund's prospectus.

Unit Investment Trusts—Features, Costs and Compensation

This document will help you understand unit investment trusts ("UITs"), their features and costs, and how Morgan Stanley and your Financial Advisor are compensated when you buy a UIT. Like mutual funds, UITs are securities that are offered through a disclosure document known as a prospectus. You should read the prospectus carefully before investing. You should also discuss your investment goals and objectives with your Financial Advisor. For additional information, you can visit the following Web sites: Securities and Exchange Commission (www.SEC.gov), Financial Industry Regulatory Authority (www.FINRA.org), the Securities Industry and Financial Markets Association (www.SIFMA.org) and the Investment Company Institute (www.ICI.org).

WHAT IS A UIT?

A UIT is a SEC-registered investment company that invests in a portfolio of bonds and/or equity securities according to a specific investment objective or strategy. Generally, a UIT's portfolio is not actively traded and follows a "buy and hold" strategy, investing in a static portfolio of securities for a specified period of time. At the end of the specified period, the UIT terminates, all remaining portfolio securities are sold and the redemption proceeds are paid to the investors.

UIT sponsors offer many different UITs that each seek a particular investment objective or follow a predefined investment strategy. In general, UIT sponsors offer successive "series" of each UIT – the offering period for each new series coincides with the time that a prior series terminates. This allows an investor to purchase a new series of the UIT with the same objective or strategy but with a new portfolio of securities. Investors can also reinvest the proceeds from one series and invest in a different UIT. Most UIT sponsors provide sales charge discounts (described below) for clients who choose to reinvest the proceeds from one UIT series into

another UIT series within the sponsor's UIT offerings. UIT sponsors generally offer sales charge discounts on amounts reinvested from another sponsor's UITs.

WHAT ARE THE COSTS ASSOCIATED WITH INVESTING IN UITs?

All UITs have fees and expenses. These costs, like all investing costs, are important to understand because they affect the return on your investment. UIT fees and expenses can be divided into those fees that relate to distribution of the UIT and those that relate to operation of the UIT.

Sales Charges – UITs assess sales charges on units you purchase. The sales charge is generally composed of three components. First, there is an initial sales charge applied to your purchase amount (equal to approximately 1.00% (100 bps)). Second, UITs generally assess a deferred sales charge. The deferred sales charge (equal to approximately 1.45% (145 bps)) is generally deducted in periodic installments following the end of the initial offering period. Finally, UITs generally assess a creation and development fee that compensates the UIT sponsor for creating and developing each UIT, including determining the UIT's investment objective and policies, selecting portfolio securities and other administrative functions. The creation and development fee (generally 0.50% (50 bps)) is deducted at the end of the initial offering period.

UITs may also be offered through fee-based advisory accounts. UIT units purchased through a fee-based investment advisory account are not assessed the initial sale charge or the deferred sales charge; however, the creation and development fee does apply.

Operating Expenses/Organization Costs – UITs make a charge against the UIT portfolio's assets for amounts expended to organize the trust itself. UITs separately deduct for operating expenses, including portfolio supervision, bookkeeping, administrative costs and trading expenses. These amounts will vary by each UIT.

NOTE: Each UIT is different and specific fees and charges may be referred to by different names. The above amounts are examples and actual charges may differ based on the duration of the UIT and the terms of each UIT sponsor's prospectus. This summary is intended to be a general overview. You should review the terms of the prospectus for any UIT you intend to purchase.

DISCOUNTS TO THE COSTS OF PURCHASING UITs

UITs offer sales charge discounts when you purchase larger amounts, similar to a mutual fund breakpoint. However, unlike with mutual funds, the sales charge discount generally only applies to purchases made by the same person (including the person's spouse and children under age 21) on the same day through the same broker-dealer firm.

- For example, a typical maximum sales charge for a 15-month equity UIT would be 2.95% for amounts invested up to \$50,000. However, for amounts invested between \$50,000–\$99,999, the sales charge would be 2.70%; between \$100,000–\$249,999, the sales charge would be 2.45%; between \$250,000–\$499,999, the sales charge would be 2.10%; between \$500,000–\$999,999, the sales charge would be 1.85%; and for amounts greater than \$1,000,000, the sales load would be 1.20%.
- Many UITs offer a 1.00% reduction in the sales charge if you invest using termination proceeds from an earlier series of the same UIT or any other UIT from the same sponsor, or termination proceeds from another sponsor's UIT. Certain UIT sponsors will offer similar sales charge reductions for exchanges between UITs from the same or different sponsors. Generally, you will only be eligible to receive the "rollover" discount if you reinvest the proceeds within 30 days of the date redeemed. Finally, if you are making use of the "rollover" discount, you generally will not also be able to take advantage of the quantity-based discounts described above unless the quantity-based discount would provide a better price. If you are making an additional purchase on the same day you make a rollover or exchange or rollover or exchange more than one UIT on the same day, you

may be entitled to quantity-based discounts on the new purchase at a breakpoint level that includes the amounts being rolled over or exchanged.

Please review the UIT prospectus carefully to determine if you may qualify for one of the above sales charge discounts.

HOW MORGAN STANLEY AND YOUR FINANCIAL ADVISOR ARE COMPENSATED WHEN YOU BUY UITs

UIT sponsors pay Morgan Stanley compensation when we sell their UITs, except when purchased through a fee-based investment advisory account. Morgan Stanley receives a portion of the maximum sales load described above, referred to as the dealer concession. For example, if the maximum sales charge is 2.95%, Morgan Stanley may receive as a dealer concession up to 2.25%. The difference between the maximum sales charge and dealer concession is retained by the UIT sponsor. The dealer concession that Morgan Stanley receives from the UIT sponsor declines with larger purchases commensurate with the breakpoint reduction. The dealer concession is reduced by 1.00% for rollover purchases, commensurate with the 1.00% sales charge reduction. Each UIT prospectus describes the applicable sales load and dealer concession for each different breakpoint. We pay a portion of the dealer concession to our Financial Advisors. UITs purchased through a fee-based investment advisory account do not result in any additional compensation to your Financial Advisor, however the advisory account's fee will be applied to the UIT asset value.

For a more detailed discussion of how Morgan Stanley and your Financial Advisor are compensated for investments and services, please speak with your Financial Advisor. Clients are encouraged to ask their Financial Advisor how he or she will be compensated for any unit investment trust transaction.

In addition to the dealer concession, UIT sponsors generally pay Morgan Stanley additional sales concessions based on the overall volume of UIT sales in a particular trust during the initial off ring period. The sales volume required to be eligible to receive these additional amounts vary by UIT sponsor and by trust, and the additional amounts that Morgan Stanley receives for such sales may also differ. Amounts may be up to 0.15% (15 basis points) in addition to the standard dealer concession. Morgan Stanley generally retains the additional volume-based concessions it receives and except in limited circumstances, does not pay any portion of such amounts to your Financial Advisor. Morgan Stanley does not receive an additional volume-based concession on UIT units purchased through fee-based investment advisory accounts. However, when determining the payout level that Morgan Stanley will receive on eligible (non-fee-based) units, the UIT sponsor includes the volume of sales of fee-based units.

MORGAN STANLEY'S AGREEMENTS WITH UIT SPONSORS

Morgan Stanley offers investors a broad spectrum of UIT products from four well-known UIT complexes – Advisors Asset Management, First Trust Portfolios, Guggenheim Funds (formerly Claymore) and Invesco (formerly Van Kampen). Morgan Stanley may make additional UIT sponsors available in the future. In order to offer UITs through Financial Advisors, UIT sponsors are required to enter into a UIT Support Fee agreement that includes payment of either \$300,000 or \$750,000 per year to Morgan Stanley. The UIT sponsors make these payments (sometimes referred to as “revenue-sharing payments”) in order to have the opportunity to distribute their UITs through Morgan Stanley’s retail sales force through the firm’s order entry system, to have access to Morgan Stanley’s branch offices, UIT department and sales desk personnel, and for the purpose of Morgan Stanley providing certain other agreed upon information and services designed to enhance the UIT sponsors’ opportunity to expand sales of UITs. UIT sponsors that pay the higher support fee amount are provided with additional opportunities to develop UITs exclusively for sale by Morgan Stanley Financial Advisors as well as additional services and sales-related data to enhance their ability to market the sponsor’s UIT offerings within Morgan Stanley’s sales force. Please refer to each UIT prospectus for a description of each sponsor’s compensation practices to broker-dealers.

UIT sponsors make payments to Morgan Stanley from the portion of the maximum sales load the sponsor does not pay to distributors as the dealer concession, and other corporate assets that may be derived from profits on other fees and charges it receives from sponsoring and operating the UIT, including the creation and development fee.

Currently, all UIT sponsors offered by Morgan Stanley make these additional payments. Morgan Stanley may offer new UIT sponsors' products in the future subject to different compensation arrangements than the current arrangements.

CONFERENCES

Financial Advisors may qualify to attend conferences on the basis of their sale of all UITs offered through Morgan Stanley. At such conferences, Financial Advisors participate in programs and receive information with respect to UIT sponsors. UIT sponsors pay for all or a portion of the costs associated with such conferences, including the qualifying Financial Advisors' expenses for travel and accommodations.

RISK CONSIDERATIONS

There is no assurance a specific unit investment trust will achieve its investment objective. An investment in a unit investment trust is subject to market risk, which is the possibility that the market values of securities owned by the trust will decline and that the value of trust units may therefore be less than what you paid for them. Unit investment trusts are unmanaged and each trust's portfolio is not intended to change during the trust's life except in limited circumstances. Accordingly, you can lose money investing in a unit investment trust. You should consider this trust as part of a long-term investment strategy and you should consider your ability to pursue it by investing in successive trusts, if available. You will encounter tax consequences associated with reinvesting from one trust to another.

Investors should carefully consider the investment objectives and risks as well as charges and expenses of a unit investment trust before investing. To obtain a prospectus, contact your Financial Advisor. The prospectus contains this and other information about the unit investment trust. Read the prospectus carefully before investing.

Clients should consult with their tax advisors before making any tax-related investment decisions, as Morgan Stanley and its Financial Advisors do not provide tax advice.

The information in this disclosure document is as of July 2012. For additional and the most current information call your Financial Advisor.

Understanding Variable Annuities

This reference document is being provided by Morgan Stanley solely to provide a general overview of variable annuities, and is not meant to describe a single product or pertain to a particular company. The views expressed are those of Morgan Stanley, and are subject to change, and do not necessarily reflect the views of any other company. Please call your Financial Advisor or your local branch with any questions in regards to this document.

WHY CONSIDER A VARIABLE ANNUITY?

A variable annuity is a long-term investment primarily designed for retirement or other long-range purposes that provides the ability to accumulate assets on a tax-deferred basis. People looking to supplement other sources of retirement income, including Social Security and pension plans, may want to consider a variable annuity. Variable annuities offer several additional features not generally found in other types of investment products, including:

- Access to tax-free transfers among a variety of professionally managed investment options and investment allocation strategies
- Tax-deferred earnings

- Death-benefit protection options
- Living-benefit protection options
- Lifetime-income options

Variable annuities are generally not suitable for meeting short-term liquidity needs as the additional cost of unexercised protection options and insurance company early surrender charges may supplant the benefits associated to tax deferral. This brochure was designed to provide you with a better understanding of variable annuities and the benefits they can provide in helping you plan for a secure retirement.

Note: Variable annuities involve investment risk and may lose value. Therefore, you should consider your ability to sustain investment losses during periods of market downturns. Before buying any variable annuity, request a prospectus from your Financial Advisor and read it carefully. The prospectus contains important information about the annuity contract, including fees and charges, investment objectives, risks, death benefits, living benefits and annuity-income options which should be considered carefully before investing. You should compare the benefits and costs of the variable annuity to other variable annuities and to other types of investments.

WHAT IS A VARIABLE ANNUITY?

A variable annuity is a contract between you and an insurance company, under which the insurer agrees to make periodic payments to you at some future date. You can purchase a variable-annuity contract by making either a single purchase payment or a series of purchase payments (certain benefit guarantees may limit additional purchase payments).

An annuity contract has two phases – the savings (or “accumulation”) phase and the payout (“annuitization” or “retirement income”) phase. During the savings phase, you make purchase payments into the contract and earnings accumulate on a tax-deferred basis. The payout phase occurs when you begin receiving regular payments from the insurance company by electing an annuity income option.

“FREE LOOK” PERIOD

Variable annuity contracts typically have a “free look” period of ten or more days from receipt, during which you can terminate the contract without paying any surrender charges and get back your purchase payments (which may be adjusted to reflect charges and the performance of your selected investments). You can continue to ask questions during this period to make sure you understand your variable annuity before the “free look” period ends.

BENEFITS AND FEATURES OF A VARIABLE ANNUITY

Investment Options

During the savings phase, a variable annuity offers a wide range of fixed- and variable-investment options with different objectives and strategies. The value of your variable annuity will vary depending on the performance of the investment options you choose. The variable-investment options (“subaccounts”) include actively managed portfolios, exchange-traded funds, indexed/indexed linked portfolios, alternative investments and other quantitative driven strategies that typically invest in various asset classes that may include stocks, bonds, private placements, derivatives, commodities, money-market instruments among other investment options. Although the subaccounts within variable annuities are similar in many respects to mutual funds, fees and expenses may differ. Like mutual funds, you bear all the investment risk for amounts allocated to the variable investment options.

The fixed-investment options offer a fixed rate of return that is guaranteed by the insurance company for a period of one or more years. If you withdraw or transfer from a fixed account during the guarantee period, a market-value adjustment may apply. Market-value adjustments will result in an amount added to or subtracted from the contract value based on the changes

in interest rates since the beginning of the guarantee period. In general, if interest rates have decreased, the adjustment will be a positive amount and if rates have increased, the adjustment will be negative.

NOTE:

Alternative Investments may be available as an investment option or model allocation in many variable annuities. Alternative investment strategies are speculative, involve a high degree of risk to loss in principal, typically have higher fees than other investments, and may engage in the use of leverage, short sales, and derivatives, which may increase the risk of investment loss. Alternative strategies include derivative exposure that may not perform as intended, can significantly increase each portfolio's exposure to the existing risks of the underlying investments and may be illiquid and difficult to value. As a result, the portfolio may not realize the anticipated benefits from a derivative it holds or it may realize losses. Alternative investments transactions may create investment leverage, which may increase the volatility and may require liquidation of securities when it may not be advantageous to do so. These investments are designed for investors who understand and are willing to accept these risks.

Asset Allocation/Balanced Portfolios: While investment in certain asset allocation or balanced portfolios could mitigate losses during declining market conditions they may also hamper potential gains during inclining market conditions. Asset allocation investments may be required to gain access to a certain living or death benefit guarantee and may provide very different potential risk/reward characteristics. These models may manage volatility to mitigate the insurers guarantee obligations by potentially reducing investment returns that you might have received during favorable market conditions.

TAX-FREE TRANSFERS

You may transfer your money from one subaccount to another, or to a fixed account, within a variable annuity without paying current taxes on any earnings you have made. If market conditions change, for example, you may reallocate money among the investment options without worrying about current taxes. Transfers are subject to any limitations imposed by the insurance company in the prospectus.

TAX-DEFERRED EARNINGS

Earnings from an annuity grow on a tax-deferred basis. This means that income taxes that would have been paid on interest, dividends or capital appreciation are deferred until you make a withdrawal from the contract. Therefore, investments may grow faster in an annuity than in a taxable investment vehicle with a similar rate of return because money that would have been used to pay taxes on earnings remains invested and continues to grow and compound. It is important to note, however, that when you withdraw your money from a variable annuity, **you will be taxed on the earnings at ordinary income-tax rates rather than the lower tax rates applicable to capital gains and, if taken prior to age 59½, may be subject to an additional 10 percent federal tax penalty.** The benefits of tax deferral may outweigh the costs of a variable annuity only if you hold it as a long-term investment to meet retirement and other long-range goals.

DEATH BENEFIT

Contracts may include a standard death benefit where your named beneficiary is guaranteed to receive a specified amount – typically, the greater of the current contract value or the amount of your purchase payments, less withdrawals.

Some contracts also offer “enhanced” death benefits for an additional charge. An example of this type of death benefit includes the allowance to periodically “lock in” your investment performance and/or guarantee a minimum rate of return on the value of your account.

Another optional death benefit that may be available for an additional charge is the earnings-enhanced death benefit. This feature entitles the beneficiary to a death benefit increased by an amount (typically 25% to 40% of the earnings in the contract) that can be used to help offset taxes that may be due on the death benefit.

Generally, when the owner (or annuitant, as specified in the prospectus or contract) of the annuity dies, the beneficiary is taxed on all appreciation when the death benefit is received, whereas investments held in a taxable account may receive a stepped-up cost basis (i.e., the value of the account at the owner’s death).

Certain contracts may include/offer a return of account value death benefit option. These contracts should be purchased for their additional features such as an optional living benefit, access to a certain unique investment strategy or the benefits of tax deferral on non-qualified contracts.

The cost for these optional death benefits typically ranges from 0.15% to 1.35% annually.

NOTE

- The death benefits described above may terminate once you elect an income option and enter the payout phase of the contract.
- Depending on the contract, death benefits may be payable upon the death of the owner, the annuitant or both.
- Withdrawals during the savings phase will reduce the death benefit.
- Most optional death benefits must be elected when the contract is issued and cannot be canceled.
- Earnings distributed as death benefits are taxed as ordinary income when received by the named beneficiary.

LIVING-BENEFITS OPTIONS

Annuities have been long characterized by their ability to provide retirement income that cannot be outlived during the payout phase. Many annuity products have “living benefits” that provide principal and/or income guarantees to help protect your retirement income from declining markets during the savings phase – insurance for your purchase payments.

There are three basic types of living benefits, each with a distinct objective. The chart below provides a summary and some additional considerations. The actual guarantees and corresponding fees will vary by contract. **These benefits are optional and are available for an additional cost. Minimum holding periods and investment restrictions may apply. Deviations from these limitations may result in material reduction or termination of the benefit.** As with any optional benefit, it is important to weigh the costs against the benefit when adding such riders to your contract. Read the prospectus carefully with regard to the benefits you elect.

The cost for these optional living benefits typically ranges from 0.25% to 1.70% of the benefit base annually.

LIVING BENEFITS

LIVING BENEFITS OPTION	BENEFIT DESCRIPTION	ADDITIONAL CONSIDERATION
Guaranteed Minimum Accumulation Benefit (GMAB)	Generally, this benefit guarantees the return of your purchase payments or a higher stepped-up value at the end of a waiting period, typically ten years from issue or last step-up, regardless of your investment performance. If your contract value is below the guaranteed amount at the end of the waiting period, the insurance company will increase your contract value to equal the guaranteed amount (adjusted by any withdrawals).	At the end of the waiting period, the benefit may be renewed for another waiting period, depending on the terms of the contract. If the benefit is not renewed, your purchase payments will become subject to market risk and may lose value. Additionally, some contracts require that all of your assets be allocated in specified investment options during the waiting period and deviation from these investment options may result in material reduction or termination of this benefit.
Guaranteed Minimum Income Benefit (GMIB)	Generally, this benefit guarantees a lifetime income stream when you annuitize the GMIB amount (after a seven-to-ten-year waiting period), regardless of your investment performance. The GMIB amount is generally based on the greater of your current contract value, your purchase payments (adjusted pro rata or dollar-for-dollar by any withdrawals) compounded annually at a rate of 4% to 8% (often referred to as the roll-up value), or it may equal the greater of the contract's highest anniversary value or the roll-up value (roll-up/anniversary value may be adjusted pro rata or dollar-for-dollar by withdrawals). The GMIB amount must be annuitized. It is not available as a lump-sum payment.	The income stream is often limited to payments for life with a minimum number of payments guaranteed. The GMIB income stream is determined by applying the GMIB payout rates to the GMIB amount, although you may receive a higher income stream by annuitizing under the regular provisions of your contract. In this case, the GMIB provides no additional benefit. Additionally, some contracts require that all of your assets be allocated in specified investment options during the waiting period and deviation from these investment options may result in material reduction or termination of this benefit.
Guaranteed Minimum Withdrawal Benefit (GMWB)Guaranteed Lifetime Withdrawal Benefit (GLWB)	Generally, these benefits guarantee a return of your purchase payments over a specified number of years or over the lifetime of an individual or an individual and spouse through a series of annual withdrawals. Certain benefits may provide for a higher stepped-up benefit base via a 4%-10% annual roll-up of your benefit base and/or an annual reset based on positive market performance.	During the withdrawal period, withdrawals in excess of the benefit withdrawal limit (3% to 7%) may negatively affect the guarantee. Additionally, some contracts require that all of your assets be allocated in specified investment options, and deviation from these investment options may result in material reduction or termination of this benefit. Generally, there is no waiting period to begin withdrawals, but liquidity limitations based on current age or before age 59½ may apply. Withdrawals not taken generally do not accumulate or carry over to the next year.

MARKET LINKED SEGMENT BUFFERS

As an alternative to optional living benefits, certain variable annuities provide other more limited forms of downside protection called “Segment Buffers.” These guarantees typically track investment returns associated with the change in the level of one or more published equity or commodity based indexes, such as the Standard & Poor’s 500 Composite Stock Price Index™ (S&P 500), which tracks the performance of the 500 large cap U.S. publicly traded securities.

Some of the features unique to market linked segment buffers include:

- Segment Crediting – the method (e.g., point-to-point) used to measure the change in the underlying index over an investment term (or time period) that may reset annually, every 3 or every 5 years.
 - Example: On a 1 year term segment, if the underlying index equals 1000 on the date of purchase and equals 1100 on the first anniversary date of purchase, then the change in the index ($1100 - 1000 = 100$) divided by the index value at purchase (1000) equals 10%.
- Performance Cap – the maximum index-based performance credited to the contract upon the investments’ segment termination.
 - Example: On a 1-year term segment, if there is a 6% cap, then if the underlying index increased by 10% in a year, the credit to the contract would only be 6%.
- Buffer – the maximum indexed-based percentage performance loss, typically 10%, 20% or 30%, that will be credited to the contract owner upon the investments’ segment termination.
 - Example: On a 1-year term segment, if the product includes a 10% Buffer and the underlying index equals 1000 on the date of purchase and equals 800 in a year, then the change in the index equals $800 - 1000 = -200$ or -20%. The loss of 20% is then subtracted from the 10% Buffer to equal a net loss of 10% to the contract.
- Performance Cap Threshold – A minimum rate specified for a new segment to be equaled or exceeded in order for amounts to be transferred into a new segment.
 - Example: On a 1-year term segment, if the product includes a 6% Performance Cap Threshold (set by contract owner) and a Cap of 5%, the investment will be held in a holding account until the Cap rate reaches 6% or threshold is reduced by the contract owner to 5%.
- Participation Rate – the percentage of the calculated index gain credited to the contract as interest, which may be reset annually.
 - Example: If the participation rate is 90%, then a 10% change in an index would result in a 9% credit ($90\% \times 10\% = 9\%$).

NOTE:

Performance Cap Threshold’s can be an important tool to investing in Market Linked Segment Buffers. Not specifying a threshold would risk the possibility that the Performance Cap established will have a lower cap on returns than you would otherwise find acceptable. You may wish to discuss with your Financial Advisor the appropriate Performance Cap Threshold. When specifying a Performance Cap Threshold, please review the effective date and date of expiration.

Market linked segment buffers include a risk of a substantial loss of principal because you agree to absorb all losses from the portion of any negative index performance rate that exceeds the segment buffer at maturity. Also, the Performance Cap limits the maximum amount you may receive from indexed gains. You should consider your ability to sustain investment losses during periods of market downturns. This investment is generally not suitable for individuals seeking principal preservation or a short time horizon. Before buying an annuity with Market Linked Segment Buffers request a prospectus from your Financial Advisor and read it carefully. The prospectus contains important information about the risks associated with this type of annuity contract. You should compare the benefits and limitations of the annuity to other annuities and to other types of market-linked or structured investment vehicles.

All death benefits, living-benefits or market linked buffer guarantees are backed only by the claims-paying ability of the issuing insurance company.

LIFETIME INCOME

Variable annuities offer several income options for receiving payments from your annuity, including the option to receive payments for the rest of your life (or your life and the life of your spouse, or any other person you designate). This feature, known as annuitization, offers protection against the possibility that you will outlive your assets. Generally, you cannot change the income option once annuity payments begin.

OTHER FEATURES AND BENEFITS

WITHDRAWALS

Annuity contracts generally offer the right to withdraw up to 10% of the contract value annually without incurring a surrender charge (discussed below). However, withdrawals of earnings are subject to applicable income tax and, if taken prior to age 59½, a 10% IRS penalty tax may also apply. You are generally not required to begin withdrawals at age 70½ (unless your annuity is held in a tax-advantaged retirement plan), so your money can keep growing tax deferred until you need it. Annuity distributions are generally not required until age 90, although this rule varies by contract.

Withdrawals above the prescribed amount reduce your contract value, death benefit(s) and living benefit guarantees. Depending on the annuity contract, a withdrawal above the prescribed amount will generally reduce the death and living benefits on a dollar-for-dollar or pro rata basis (or the greater of the two). A pro rata reduction means that the withdrawal will reduce the benefit base by the proportion that the withdrawal reduces the contract value. If at the time of the withdrawal, the contract value is less than the benefit amount, a pro rata reduction will reduce the benefit base by an amount greater than the withdrawal. For example, if the contract value is \$200,000 and the death benefit is \$300,000, a withdrawal of 50% of the contract value or \$100,000 will also reduce the death benefit by 50%, or \$150,000 (the proportional decrease in the contract value), not merely by the amount of the withdrawal. Please read the prospectus carefully.

BYPASS PROBATE

By simply naming a beneficiary, the assets of your annuity are transferred directly to your beneficiaries, bypassing probate.

DOLLAR-COST AVERAGING

Dollar-cost averaging is a feature that allows you to systematically invest equal amounts into the same investment options at regular intervals over a set period of time. Many variable annuities offer you the option of automatic dollar-cost averaging by using a money market or fixed account option to hold money and then invest it into the available investment options of your choice. For dollar-cost averaging programs that require an initial investment in the fixed account, the annual effective yield on the fixed account is paid on a declining balance.

AUTOMATIC REBALANCING

The investment allocation within your variable annuity may change over time due to changing market conditions. Most variable annuities offer and some require programs that automatically rebalance your portfolio back to your original desired allocation. You select the frequency for rebalancing your portfolio when you set up the program.

Note: Dollar-cost averaging and automatic rebalancing do not assure a profit or protect against a loss. Before beginning a dollar-cost averaging program, you should consider your ability to continue purchases through periods of fluctuating price levels.

TAX CONSIDERATIONS

The tax rules that apply to variable annuities can be complicated. Before investing, you should consult a tax advisor about the tax consequences of investing in a variable annuity.

ANNUITIES IN TAX-ADVANTAGED/RETIREMENT ACCOUNTS

Although tax-deferred growth is a key advantage of a variable annuity, if you are investing in a variable annuity through a tax-advantaged retirement plan (such as a 401(k), 403(b), IRA, SEP or Keogh), **you will get no additional tax advantage from the variable annuity** because the retirement account already provides tax-deferred growth. You should only consider buying a variable annuity in a tax-advantaged retirement plan if it makes sense because of the annuity's other unique features, such as guaranteed lifetime income payments, guaranteed living benefits and death-benefit protection. However, if you are risk averse you may consider annuities as an IRA or qualified-plan investment alternative, particularly if you are concerned about market risk, the risk of outliving your income or the impact on your named beneficiaries if you die during a down market. Variable annuities may provide financial guarantees during your IRA accumulation or distribution. They can also be converted into a guaranteed lifetime income stream. And at death, the value of your investment can be protected with a death benefit guarantee. The terms of variable annuities differ and not all variable annuities offer all the benefits described. You can find this information in the prospectus for the variable annuity. Please read it carefully before you invest.

UNLIMITED CONTRIBUTIONS

A nonqualified annuity (an annuity purchased outside a tax-advantaged retirement plan with after-tax dollars) offers distinct advantages over other tax-favored retirement plans such as a 401(k), 403(b), IRA, SEP or Keogh, because there is no IRS-imposed limit to the amount that can be contributed for tax-deferred growth (insurance companies may however impose contribution limitations). While it is advisable to first make the maximum allowable contributions to your tax-advantaged retirement plan, it may be appropriate to invest any additional assets earmarked for retirement into a nonqualified annuity.

NO ANNUAL TAX REPORTING

There are no required annual IRS forms to be filed for nonqualified annuities. There is no IRS reporting requirement until you actually make a withdrawal from the annuity. Qualified plans that invest in annuities will have the December 31st value reported to the IRS in order to calculate Required Minimum Values for distribution purposes.

IRC 1035 EXCHANGE

Section 1035 of the Internal Revenue Code allows for the direct exchange of an annuity or life-insurance contract for another annuity without tax consequences. A 1035 exchange may be appropriate if your contract is older and does not provide features offered in newer products such as more flexible or enhanced death benefits, living benefits or a wider choice of investment options.

NOTE: While this type of exchange is a tax-free event, other charges, such as a surrender charge, may be incurred, or a new surrender charge period may be imposed. Discuss the exchange with your Financial Advisor and speak to your tax advisor to make sure the exchange is tax free and to understand what charges may be incurred to determine whether the benefits of the new annuity outweigh the costs of surrendering the old one.

Recently, the IRS issued Rev. Proc. 2011-38, which provides modified guidance with respect to the federal tax treatment of partial 1035 exchanges of annuity contracts.

Previously, under Rev. Proc. 2008-24, if any surrender (in whole or in part) of either contract occurred within 12 months of the partial 1035 exchange, the partial 1035 exchange would be treated as a taxable event unless one of the qualifying life event conditions occurred between

the date of the partial exchange and the date of the distribution. If any of these life event conditions were met or if no distributions were made from either contract within 12 months, the IRS would treat the partial 1035 as a tax-free exchange and treat the two annuities separately even if the same insurance company issued them.

Rev. Proc. 2011-38 amends Rev. Proc. 2008-24 to make the following changes:

- The 12-month period is reduced to 180 days.
- The rule requiring that one of the enumerated life event conditions (or similar life event) be met has been eliminated. Accordingly, there are no exceptions to the 180-day waiting period.
- The limitation on amounts withdrawn from or received under an annuity contract do not apply to amounts received as an annuity for a period of 10 years or more or during one or more lives.

The new rules are effective for partial 1035 exchanges that are completed on or after October 24, 2011. **You should seek advice from your own tax advisor regarding your particular circumstances.**

SPOUSAL CONTINUANCE

Some variable annuities offer your spouse the opportunity to continue the contract in the event of your death. The spousal continuation feature allows your spouse to continue the contract at the greater of the contract value or the death-benefit amount. This has the advantage of locking in a higher death benefit, and at the same time delaying a taxable event for the new beneficiary.

CHARGES AND FEES

There are charges and fees that are unique to annuity products. These charges cover the cost of contract administration, portfolio management and the insurance benefits (death and living benefits, lifetime income options). The most common fees are:

CONTINGENT DEFERRED SALES CHARGE ("SURRENDER CHARGE")

Most variable annuities do not have an initial sales charge. This means that 100% of your funds are available for immediate investment in the available investment options. However, insurance companies usually assess a contingent deferred sales charge, known as a surrender charge, to an annuity owner who liquidates a contract (or makes a partial withdrawal in excess of a specified amount) during the surrender period.

The surrender charge is generally a percentage of the amount withdrawn and declines gradually during the surrender period.

A typical surrender schedule has an initial surrender charge ranging from 5% to 9% and decreases each year the contract is in force, until the surrender charge reaches zero. Generally, the longer the surrender schedule, the lower the contract fees. Most contracts will begin a new surrender period for each subsequent purchase payment.

ANNUAL CONTRACT CHARGES FOR INSURANCE AND MAINTENANCE

You will pay several fees and charges when you invest in a variable annuity. Among these are mortality and expense risk charges and administrative and distribution fees. These asset-based charges are assessed daily and typically range from 1.15% to 1.85% annually. These and other common fees are described below:

MORTALITY AND EXPENSE RISK CHARGE (M&E)

The M&E charge compensates the insurance company for insurance risks and other costs it assumes under the annuity contract.

M&E charges are deducted from the value of the subaccounts and will reduce investment returns. The fees for the optional death and living benefits described above are charged separately and are not included in this M&E charge.

ADMINISTRATIVE AND DISTRIBUTION FEES

These fees cover the costs associated with servicing and distributing the annuity, including the cost of transferring funds between subaccounts, tracking purchase payments, issuing confirmations and statements and customer service. Administrative and distribution fees are also deducted from the value of the subaccounts.

CONTRACT-MAINTENANCE FEE (ANNUAL FEE)

This is an annual flat fee for recordkeeping and administrative purposes, generally \$30 to \$50 deducted on the contract anniversary. This fee is typically waived for contract values over \$50,000.

UNDERLYING SUBACCOUNT EXPENSES

Fees and expenses are also charged on the subaccounts. These include management fees, which are paid to the investment advisor, who is responsible for making investment decisions affecting your subaccounts. This is similar to the investment manager's fee in a mutual fund. Expenses include the cost of buying and selling securities as well as administering trades. These asset-based expenses will vary by subaccount and typically range from 0.70% to 1.85% annually.

Charges and fees may vary depending upon the share type of annuity as well as other factors and are all disclosed in the annuity contract prospectus and in the subaccount prospectus fee tables. Be sure you understand all the charges and fees before you invest.

The table below summarizes typical charges and fees by contract type. Please read the prospectus carefully with regard to the applicable fees and charges for your annuity contract.

TYPE OF ANNUITY	FEE OR CHARGES
“B Share” Annuities	These annuities have a six-to eight-year surrender period on each contribution; asset-based contract charges generally in the 1.15% to 1.55% range; contract fees generally range from \$0 to \$50; and underlying fund expenses that generally range from 0.70% to 1.85%.
Premium enhanced or “Bonus” Annuities	These annuities have an eight-to nine-year surrender period on each contribution; asset-based contract charges generally in the 1.55% to 1.85% range; contract fees generally range from \$0 to \$50; and underlying fund expenses that generally range from 1.40% to 1.85%. Because this annuity contains an investment credit (e.g., a credit of generally 2% to 6% of your premiums is added to your contract/policy by the insurance company to increase your potential to realize tax-deferred growth), it may have higher fees and expenses and a longer surrender period than other similar annuities without an investment credit.
“L Share” Annuities	These annuities offer a shorter surrender period, three to four years on each contribution, but somewhat higher asset-based contract charges in the 1.60% to 1.75% range; contract fees generally range from \$0 to \$50; and underlying fund expenses that generally range from 0.70% to 1.85%.
“C Share” Annuities	May offer either full liquidity at any time without front-end or back-end surrender charges or up to a 2% back-end surrender charge in the first year of issue, but typically have higher fees in the range of 1.60% to 1.80%.

These charges and fees will reduce the value of your annuity and the return on your investment.

Generally, “B Share or Bonus” annuities are the lowest-cost alternative among the alternatives listed above – provided you are willing to keep your investment until the end of the surrender period. However, if you value the option to access your money earlier, you may prefer the shorter surrender period alternative. You should read the description of costs, including the applicable surrender schedule in the variable annuity prospectus carefully before you decide to invest. **You should weigh the higher costs of variable annuities versus the benefits before you invest.** Also, since annuity terms differ and not all variable annuities offer the benefits described above, you should understand the features, benefits and costs of the variable annuity you are considering. You can find this information in the prospectus for the variable annuity. Please read it carefully before you invest.

Generally, “C” Share annuities offer full liquidity at any time; however, certain living benefit options may not be available unless you are willing to keep your investment until the end of the living benefit option waiting period.

CHARGES ASSOCIATED WITH MARKET LINKED SEGMENT BUFFERS

Typically, Market Linked Segment Buffers do not have upfront sales loads or ongoing expenses (ongoing expenses may apply to other investment options available within the product). The insurance company's costs are built into the Caps, Participation Rate, Segment Buffer and/or other features of the contract. Your contract may be subject to an early withdrawal charge (also called a contingent deferred sales charge) in the first 5 to 10 years of the contract. You may also be subject to a fair value (also called an interim value formula) calculation should the contract be terminated while invested in a market linked segment. You should consult the prospectus or other disclosure document for the annuity that you are considering for the specific early withdrawal charge schedule.

HOW MORGAN STANLEY AND YOUR FINANCIAL ADVISOR ARE COMPENSATED WHEN YOU BUY A VARIABLE ANNUITY

Morgan Stanley offers clients a selection of variable annuities from approved insurance-company families or providers. We review and evaluate each provider whose products we offer based upon various factors, including but not limited to:

- Quality and competitiveness of products offered;
- Financial strength of the provider;
- Systems compatibility and ability to provide technological support for the sale and servicing of contracts;
- Ability and commitment to support our Financial Advisors and clients through training, education and sales literature; and
- Level of interest and demand among our clients and Financial Advisors.

Evaluating providers in this manner allows us to focus marketing and sales-support resources on the providers of greatest interest to, and that offer the most competitive and suitable products for, our clients and their Financial Advisors. Financial Advisors are not permitted to recommend investments in products from providers that have not been reviewed, evaluated and approved.

REVENUE SHARING

For the variable-annuity products offered, Morgan Stanley seeks to collect from insurance companies a revenue sharing payment. In 2012, providers paid fees on assets of up to 0.25% per year (\$25 per \$10,000), calculated quarterly, based upon the aggregate value of variable-annuity assets (including assets invested in fixed-rate subaccounts within variable annuities) invested in contracts for which Morgan Stanley is designated as the broker/dealer or agent of record. This rate may be subject to

volume discounting (that is, as the number of assets increases, the basis-point payment for those assets will decrease). Revenue-sharing payments are paid out of the provider's revenues or profits and not from a client's contract value or the assets of a subaccount. **It is important to note that Financial Advisors receive no additional compensation as a result of these revenue-sharing payments.**

COMMISSIONS AND SERVICE FEES

Each time a variable annuity is purchased through one of our Financial Advisors, the provider pays Morgan Stanley compensation, based upon a standard schedule for all providers, in the form of a commission, based on the product and share class selected and the amount of the client investment. The commissions payable to Morgan Stanley are consistent for all providers regardless of the volume of business Morgan Stanley submits to the provider or the profitability of the policy to the provider. Further, no provider or the parent or affiliated company of the provider has any material interest in Morgan Stanley or its licensed insurance agency subsidiaries, Morgan Stanley Insurance Services, Inc., SBHU Life Agency, Inc., and Morgan Stanley Smith Barney Insurance Services LLC.

Morgan Stanley, in turn, pays a portion of the commission to the Financial Advisor. Financial Advisor commissions generally range from 0% to 5% of contributions and trails (annuity contract servicing payments) from 0.25% to 1.40% of variable annuity assets. Morgan Stanley passes all or a portion of these trails to the Financial Advisor. Insurance companies also pay Morgan Stanley an additional percentage of contributions generally not exceeding 1.80%. Upfront and trail commission payments are paid out of the insurance companies' assets, and derived from the product fees and expenses described in the prospectus.

EXPENSE REIMBURSEMENTS

Morgan Stanley may seek prepayment or reimbursement by approved providers, their parent or affiliated companies, or other service providers for the expenses incurred for various sales meetings, seminars and conferences held in the normal course of business and other administrative and compliance services.

COMPENSATION FROM PROVIDERS

Morgan Stanley, and its parent or affiliates receive, from certain approved providers or their parent or affiliated companies compensation in the form of commissions and other fees for providing traditional brokerage services, including related research and advisory support, and for purchases and sales of securities for their own portfolios or the portfolios of subaccount investment companies. They also receive other compensation from certain approved providers or their parent or affiliated companies, for financial services performed for the benefit of such companies. Morgan Stanley prohibits linking the determination of the amount of brokerage commissions and service fees charged to an approved provider or its parent or affiliated company to the aggregate values of our overall variable product sales or client holdings of these products or to offset the revenue-sharing or expense reimbursements described above.

For additional information on a particular provider's payment and compensation practices, please refer to the provider's product prospectus and statement of additional information.

MORGAN STANLEY'S RELATIONSHIP WITH THE FUNDS OFFERED IN VARIABLE ANNUITIES

The variable annuities offered through Morgan Stanley include funds managed by Morgan Stanley & Co. LLC and its affiliates as well as funds managed by independent money managers. Morgan Stanley & Co. LLC, as a firm, earns management fees if you choose to invest in the Morgan Stanley & Co. LLC funds available within a variable annuity. However, our Financial Advisors receive the same commissions and trails regardless of the variable insurance funds you pick.

BEFORE YOU DECIDE TO BUY A VARIABLE ANNUITY, CONSIDER THE FOLLOWING:

INVESTMENT GOALS

- Will you use the variable annuity primarily to save for retirement or a similar long-term goal?
- Are you investing in the variable annuity through a retirement plan or IRA (which would mean that you are not receiving any additional tax-deferral benefit from the variable annuity)?
- Do you intend to remain in the variable annuity long enough to avoid paying any surrender charges or to benefit from any optional living benefit riders if you have to withdraw money?
- Are you willing to take the risk that your account value may decrease if the underlying investment options perform poorly?
- Have you consulted with a tax advisor and considered all the tax consequences of purchasing an annuity, including the effect of annuity payments on your tax status in retirement?

COSTS AND BENEFITS

- Do you understand the features of the variable annuity?
- Do you understand all of the fees and expenses that the variable-annuity provider charges?
- Do you understand the various ways in which Morgan Stanley and your Financial Advisor are compensated in connection with your variable-annuity purchase?
- If a variable annuity offers a bonus credit, will the bonus outweigh higher fees and charges that the product may charge?
- Are there features of the variable annuity that you could purchase more cheaply separately?
- If you are exchanging one annuity for another one, do the benefits of the exchange provide a substantial financial benefit that outweighs the costs, such as any surrender charges to be paid on the old annuity and the impact on your liquidity resulting from any new surrender charge schedule for the new annuity?

SENIOR SUITABILITY CONSIDERATIONS

In recent years regulators have expressed concern about annuity sales to the elderly. There are a number of key points of interest you should consider in advance of investing including your investment risk tolerance, liquidity and potential long-term care needs, life expectancy in contrast with the investment holding period, fees and charges of the product, tax consequences, as well as your ability to understand all the features, benefits and costs of the investment.

FOR MORE INFORMATION

Before purchasing a variable annuity, you owe it to yourself to learn as much as possible about how they work, the benefits they provide and the charges you will pay. For more information, contact your Financial Advisor or visit the following websites:

- American Council of Life Insurers at www.acli.com
- Securities and Exchange Commission at www.sec.gov
- Financial Industry Regulatory Authority at www.finra.org
- Insured Retirement Institute at www.irionline.org
- The FINRA Investor Alert, "Variable Annuities: Beyond the Hard Sell" at <http://www.finra.org/Investors/ProtectYourself/InvestorAlerts/AnnuitiesandInsurance/P005976>
- The FINRA Investor Alert, "Should You Exchange Your Variable Annuity" at <http://www.finra.org/Investors/ProtectYourself/InvestorAlerts/AnnuitiesandInsurance/P006045>

You may also contact your state insurance department if you wish to file a consumer complaint.

Variable annuities are sold by prospectus only. The prospectus contains the investment objectives, risks, fees, charges and expenses, and other information regarding the variable annuity contract and the underlying investments, which should be considered carefully before investing. Prospectuses for both the variable annuity contract and the underlying

investments are available from your Financial Advisor. Please read the prospectus carefully before you invest.

Payment obligations of the issuing insurance company are backed only by the financial strength of the issuing insurance company.

Morgan Stanley offers insurance products in conjunction with its licensed insurance agency affiliates.

An annuity is not a deposit of, or other obligation of, or guaranteed by, the Depository Institution or an affiliate of the Depository Institution; is not insured by the Federal Deposit Insurance Corporation (FDIC) or any other agency of the United States, the Depository Institution, or an affiliate of the Depository Institution; and involves investment risk, including the possible loss of value.

Morgan Stanley, its affiliates, and employees are not in the business of providing tax or legal advice. These materials and any tax-related statements are not intended or written to be used, and cannot be used or relied upon, by any such taxpayer for the purpose of avoiding tax penalties. Tax-related statements, if any, may have been written in connection with the "promotion or marketing" of the transaction(s) or matter(s) addressed by these materials, to the extent allowed by applicable law. Any such taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The information contained herein has been obtained from sources that we believe are reliable, but we do not guarantee its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation by us for the purchase or sale of any security. This material, or any portion thereof, may not be reproduced without prior written permission from Morgan Stanley.

Portions of this brochure have been excerpted or paraphrased from the online publication, "Variable Annuities: What You Should Know," which can be found at the U.S. Securities and Exchange Commission website, <http://www.sec.gov/investor/pubs/varannty.htm>. We encourage you to read this publication.

Morgan Stanley Bill of Rights for 529 College Savings Plan Investors

This 529 Plan Bill of Rights will help you understand 529 college savings plans and the cost and tax considerations of investing in a 529 plan. Further, it will help you understand how your Financial Advisor is compensated when you make a contribution to a 529 plan, and how Morgan Stanley may receive additional compensation from 529 Program Managers to sell their plans.

UNDERSTANDING 529 COLLEGE SAVINGS PLANS

Before making a contribution to a 529 plan, we believe there are several things you should know.

WHAT ARE MY OPTIONS FOR FUNDING HIGHER EDUCATION?

There are many investment vehicles available to help you save for higher education expenses – including 529 college savings plans, prepaid tuition plans, Coverdell Education Savings Accounts (formerly known as Education IRAs), Roth IRAs, UGMA/UTMA custodial accounts, U.S. savings bonds, mutual funds, stocks, bonds and traditional savings accounts. Each vehicle has different tax implications, risk factors and cost considerations. This document addresses only 529 college savings plans. Your Financial Advisor or tax professional can provide you with information about the other options and can help you decide which vehicle(s) are most appropriate for you and your family.

WHAT IS A 529 PLAN?

529 plans take their name from the section of the Internal Revenue Code that was enacted by Congress when the plans were created in 1996. 529 Plans are officially known as Qualified Tuition Plans, a tax-advantaged investment vehicle designed to help families pay for future college and graduate school expenses. There are two types of 529 plans: college savings plans and prepaid college tuition plans. Both are generally sponsored by states or state agencies. All 50 states and the District of Columbia sponsor one or more 529 plans.

Understanding the differences between plan types and state-specific state tax benefits is important.

WHAT TYPES OF 529 PLANS ARE AVAILABLE?

College savings plans are generally managed by mutual fund companies and your contributions are generally invested in mutual funds that support the plan. Your plan account will fluctuate in value so there is no guarantee that the amount contributed to the plan will equal the amount of future education expenses. College savings plans may offer greater flexibility than prepaid plans because you are not restricted to using the account balances for a specific educational institution or within the sponsoring state. You may also be able to apply the proceeds from a college savings plan to other expenses (e.g., room and board, textbooks, supplies and equipment) in addition to tuition and fees. Many states offer more than one savings plan, providing residents with a choice of investment management firms.

(Morgan Stanley does not offer prepaid tuition plans from any states. The information that follows relates to college savings plans only.)

WHAT STATE AND LOCAL TAX BENEFITS APPLY?

You and/or your beneficiary's state of residence may affect your ability to qualify for the state and local tax benefits granted to 529 plan investments. Many states provide tax incentives and other benefits for state residents who invest in a plan sponsored by their home state, including:

- State tax deductions for contributions
- Deferral of state income taxes on earnings which are held in the plan
- Withdrawals which may be free from state income taxes
- Matching grants or scholarships
- Protection from creditors for certain assets

Additionally, so-called "in-state plans" often waive or rebate certain fees and expenses for state residents.

The benefits of purchasing an in-state plan generally apply only if you or your beneficiary live or pay state income taxes in the 529 plan sponsor's state. If you invest in a 529 plan sponsored by a different state than where you live or pay state income taxes, generally you will not receive the tax or other benefits provided to residents. In addition, your state or locality may seek to recover the value of any previously taken state or local tax benefits if you rollover or transfer account assets from an in-state plan to another state's 529 plan. If your home state offers tax and other incentives, then it is important to speak with your financial advisor or tax professional about the details of your in-state 529 plan.

Before investing in a 529 plan, you should consider whether the state(s) where you or your beneficiary live or pay state income taxes sponsors an in-state plan and whether the tax and other benefits afforded state residents are significant to you based on your particular circumstances. Your Financial Advisor can direct you to information about in-state plans and select out-of-state 529 plans and the availability of state or local income tax or other benefits offered by your in-state plans and select out-of-state 529 Plans. Other factors to consider include the variety of investment options available, including the range of investment objectives and strategies offered, risk factors related to the variety of investment options or the lack of variety, relative performance, fees and services.

WHAT ARE THE FEDERAL TAX CONSIDERATIONS?

Earnings on withdrawals from a 529 savings plan are not subject to federal income tax, if the withdrawals are used for qualified higher education expenses at an eligible educational institution. The term “qualified higher education expenses” generally includes tuition, required fees, books, supplies, certain required equipment, and the cost of room and board (subject to certain limits). An “eligible educational institution” generally includes most community colleges, public and private four-year colleges, universities, graduate and postgraduate programs, and certain vocational schools that are eligible to participate in federal student financial aid programs.

If you make a withdrawal for purposes other than to pay your beneficiary’s qualified higher education expenses, then the earnings portion of the withdrawal is subject to federal and possibly state income tax and an additional 10% federal tax penalty.

WHERE IS MY MONEY INVESTED?

Your contribution to a 529 savings plan is invested in a portfolio(s), generally consisting of underlying mutual funds. Although very similar to mutual funds in design and structure, a college savings plan’s portfolios are issued by state governments, and in most cases, are not directly regulated under the federal securities laws applicable to mutual funds, but rather the Municipal Securities Rulemaking Board.

Most savings plans offer the following types of investment options:

- **Static Investment Portfolios** – Your contributions will be invested in a portfolio that does not change, remaining “static” over time in a specific combination of underlying mutual funds. The specific underlying mutual funds are combined to achieve a specific risk/reward relationship. You should speak with your Financial Advisor to determine if a static portfolio is appropriate for you.
- **“Age-Based” or “Years-to-Enrollment” Investment Options** – Your contributions will be invested in a portfolio that will automatically change over time depending on the age of your beneficiary or the number of years left before your beneficiary enrolls in college (also known as the date of matriculation). The investment manager adjusts the allocation of specific underlying mutual funds and their relative weighting within the portfolio over time, generally growing more conservative over time.
- **Individual-Fund Investment Options** – Your contributions will be invested entirely in one or more portfolio(s) consisting of a single underlying mutual fund and, like static (multifund) portfolios discussed above, will not change unless you or your Financial Advisor make an exchange.

WHAT FEES AND CHARGES APPLY WITH 529 PLANS?

529 savings plans’ fees and charges can be divided into two major categories – charges that are made by the 529 plan sponsor to support the plan and those made by the underlying investment options to support the underlying funds.

FEES CHARGED BY THE PLAN

529 savings plans assess some fees based on the amount of assets in your plan account, and other fees on a transactional or periodic basis.

- **Program Management Fees** – The Program Manager of each 529 savings plan generally receives a program management fee. The program management fee compensates the manager for providing investment advisory, distribution, marketing, accounting and other services to the plan. The fee is generally assessed as a percentage of portfolio assets.
- **State Administration Fees** – To help pay for the operation of the plan, some state sponsors of 529 savings plans charge a state administration fee assessed as a percentage of portfolio assets.

- **Annual Maintenance Fees/Enrollment Fees/Termination Fees** – These fees are generally imposed as a specific dollar amount, and apply at specified times or upon certain events (e.g., initial purchase, termination or on the account anniversary).

Plan management fees and state administration fees may vary by unit class within a particular plan.

FEES CHARGED BY THE UNDERLYING INVESTMENTS

529 plan investment options generally assess the following asset-based fees:

- **Underlying Mutual Fund Expenses** – Each investment portfolio indirectly bears a proportional share of the fees and expenses incurred by the underlying mutual fund(s) (e.g., investment management fees and other expenses).
- **Distribution and/or Service Fees** – These fees, similar to the “12b-1” fees charged by some mutual funds, generally range between 0.25% and 1.25% of your investment annually. Your Financial Advisor receives a portion of these distribution fees as ongoing compensation for selling the 529 plan.

529 PLAN SHARE/UNIT CLASS DIFFERENCES

Most 529 plans offer different “unit” class pricing options similar to the share class pricing arrangements offered by open-end mutual funds. For these purposes, the terms “unit class” and “share class” are interchangeable. Each unit or share class of a particular investment option within a plan has an expense and sales charge structure based on the various types of asset-based fees, other fees and expenses and sales charges assessed. Your time horizon for investing and the amount you expect to invest can be a significant factor in determining which unit class is suitable for you and your beneficiary.

Class A Units – Class A units are subject to a sales charge or front-end load that is deducted as a percentage of the amount of your initial contribution. The net amount of the contribution (after the deduction of the initial sales charge) is invested in units of the Plan’s portfolio(s).

You may be eligible for sales charge reductions or “breakpoints” based on the size of your investment in the 529 savings plan. In addition, you may qualify for “rights of accumulation.” These are further discounts when the amount of your 529 plan investment is combined with other assets which you and your immediate family members already have invested in the plan and/or in certain mutual funds managed by the manager for that plan. Specific rules for achieving breakpoints vary from plan to plan. **Clients who currently hold 529 plan accounts at both Morgan Stanley and Smith Barney may be eligible to aggregate their 529 Plan investments offered by the same 529 Plan sponsor to qualify for breakpoints on new purchases.** When making any new 529 Plan purchase, please inform your Financial Advisor of any 529 Plan purchases or holdings in the same 529 Plan. If you have any questions about the availability of sales charge discounts on any 529 Plan purchases, please ask your Financial Advisor.

Class B Units – Class B units are not subject to an initial sales charge or front-end load. However, distributions of Class B units are subject to a contingent deferred sales charge (“CDSC”), which is a percentage charge deducted from withdrawals from the plan if they are made within a certain number of years.

The CDSC gradually declines to zero over a period of years – typically six to eight. The CDSC may be waived under certain circumstances. Class B units are subject to higher ongoing asset-based fees such as higher distribution or service fees, plan management fees and/or state administration fees as compared to Class A units of the same plan.

Class C Units – Like Class B units, Class C units do not have a front-end sales charge. However, Class C units have a lower CDSC than Class B units (generally 1%), and the period during

which the Class C CDSC can be imposed is shorter (generally one year). However, like Class B units, Class C units are subject to higher ongoing asset-based fees such as higher distribution or service fees, plan management fees and/or state administration fees.

Over time you may end up paying higher fees and expenses and may experience lower investment returns with Class B and Class C units than you would with Class A units because of the accumulated impact of higher ongoing asset-based fees.

In order to understand what your investment will cost, you should carefully review with your Financial Advisor or tax professional the 529 plan offering materials, which describe all the fees and expenses associated with a particular plan.

HOW CAN I PURCHASE A 529 PLAN?

The Morgan Stanley channel of Morgan Stanley has adopted share/unit class purchase limits based on the amount of your purchase payment(s) and the age of your beneficiary. Based on these limits, you may be required to purchase a specific 529 share/unit class, or change the share/unit class for subsequent purchase payments over time.

529 savings plans typically are managed by investment management firms. They may be offered directly to investors (“direct-sold”) through a toll-free number and website or, in the case of many states, through your Financial Advisor (“advisor-sold”).

Most states offer more than one 529 plan. Some states offer both advisor-sold and direct-sold savings plans while other states only offer direct-sold savings plans. The cost of investing in an advisor-sold savings plan is generally higher than a direct-sold savings plan because of the amounts that are payable to the selling firm.

Your Financial Advisor may not be authorized to offer you every state’s 529 plan. It is important for you to investigate what your home state has to offer in addition to speaking with your Financial Advisor or tax professional.

CAN A 529 PLAN IMPACT FINANCIAL AID?

Assets held in a 529 plan, both savings plans and prepaid tuition plans, may affect your ability to qualify for financial aid. Generally, assets held in 529 plans affect the ability of a student to qualify for need-based financial aid less than if those assets were held in a custodial account. Please make sure to investigate how financial aid could be affected by the 529 plans you are considering.

WHAT RESTRICTIONS ARE PLACED ON 529 PLAN INVESTING?

Your ability to contribute to a 529 plan is not limited by your household income. However, each state limits the total amount of contributions made on behalf of a particular beneficiary. The purpose is to prevent contributions being made on behalf of a particular beneficiary in excess of the amount necessary to provide for his or her qualified higher education expenses. The contribution limits on 529 savings plans are generally much higher than those available for other college saving options (e.g., Coverdell ESAs). These limits vary by plan and do not necessarily mean that this option is best for you and your family.

Also, a gift of more than \$13,000 to a single person in a single year is subject to federal gift tax. With a 529 plan, an individual can potentially contribute up to \$65,000 (and married couples can potentially contribute up to a total of \$130,000) to an account for a particular designated beneficiary in one year without triggering the tax. To do this, the contributor must elect to treat the entire gift as a series of five equal annual gifts. The five-year prorating is elected by filing a gift tax return (IRS Form 709) for the year in which the gift is made. You should consult with a tax advisor regarding the gift and estate tax consequences of contributing to (or making any other transaction with respect to) an account.

For most 529 savings plans there are no residency requirements. In general, most U.S. citizens or permanent residents are eligible to set up a 529 plan for any beneficiary, including themselves. You must satisfy the age requirement for the applicable plan. Each plan has its own eligibility requirements, so please consult your Financial Advisor or the plan offering documents for more information about them.

HOW IS MORGAN STANLEY AND MY FINANCIAL ADVISOR COMPENSATED WHEN I BUY A 529 PLAN?

529 plan sponsors pay Morgan Stanley compensation when we sell their 529 plans. The amount of the compensation that Morgan Stanley receives is a function of the unit/share class that you purchase, and for certain classes, the amount of your purchases. We pay a portion of the compensation to our Financial Advisors. In general, the percentage of compensation received by Morgan Stanley that we pay to our Financial Advisors (their payout rate) depends upon the type of pricing option and account you have established with us as well as the particular product you purchase. In addition, in general, the greater overall revenue each Financial Advisor generates each year, the higher his or her payout rate will be.

For a more detailed discussion of how Morgan Stanley and your Financial Advisor are compensated for investments and services, please speak with your Financial Advisor. Clients are encouraged to ask their Financial Advisor how he or she will be compensated for any 529 plan sale.

For the most current information regarding 529 plans, please contact your Financial Advisor or visit www.morganstanley.com/wealth/wealthplanning/pdfs/529plan.pdf.

Disclosure of Your Name to Issuers of Securities

Pursuant to Rule 14b-1(c) of the Securities and Exchange Commission, your election governs whether your name and securities positions may be disclosed to issuers of securities held for you in "street name." Securities held in "street name" do not reflect the beneficial owner on the records of the issuer and issuers will be unable to contact you directly without your consent. Unless you specifically indicate that you do not approve of this disclosure, the information will be provided to the issuers of securities held in your account upon their request.

Certain foreign securities will be held in your account in book-entry form only. Certain foreign securities will not be registered in your individual name nor will they be delivered to you from your account. Foreign securities issued from certain countries may be subject to taxation by those countries. Morgan Stanley may be required to provide purchaser identifying information in order to comply with local tax laws and achieve reduced tax withholding. The provision of this information will take place where applicable and is not affected by your election to not disclose your name to issuers of securities. Therefore, even if you specifically advise that you do not approve of this disclosure, we will provide the requisite information to issuers of foreign securities held in your account if, and to the extent, required by applicable law. In addition, the provision of this or other personally identifiable information is not affected by any other non-disclosure or non-use option that you might choose under applicable privacy notices sent to you.

SPAIN

Pursuant to Spanish Law 19/2003 and Law 23/2005, Spanish issuers are required to certify to the Spanish government the identity, tax residence (i.e., country), and number of Spanish securities held of beneficial owners of Spanish securities. To ensure compliance for those issuers, we will provide the name, country of residence, and number of Spanish securities

held (together, “Personal Information”) of any purchaser of Spanish securities to Acupay, an independent agent acting on behalf of Spanish issuers and approved by the Spanish government to facilitate compliance with Spanish law. Purchase of Spanish securities constitutes your and, where applicable, your client’s understanding and acceptance that this Personal Information will be disclosed to the appropriate Spanish authorities. The provision of this information is not affected by a non-disclosure options previously opted into by you or your client. If you and, where applicable, your client, do not wish for this Personal Information to be disclosed, you and your client are advised to not purchase or recommend for purchase any Spanish securities.

Payment for Order Flow

Morgan Stanley is committed to providing the best execution for customer orders. In furtherance of this commitment, Morgan Stanley considers several factors, including price, the available liquidity pool, execution speed, transaction costs, service and opportunities for price improvement in determining where to route customer orders for execution.

Industry regulations require that we disclose whether we receive compensation for directing client orders for execution to various dealers, exchanges or market centers. This compensation is commonly referred to as “payment for order flow.” Morgan Stanley and/or its affiliates may accept benefits that constitute payment for order flow.

Morgan Stanley or certain affiliates maintain ownership interests in certain market centers that stand to appreciate as a result of any profits generated from the execution of orders.

Pursuant to certain arrangements that were entered into in connection with the formation of Morgan Stanley, it is contemplated that Morgan Stanley, subject at all times to its obligations to obtain best execution for its customers’ orders, will route certain customer order flow to its affiliates, Morgan Stanley & Co, LLC and Citigroup Global Markets Inc.

Notwithstanding the foregoing, Morgan Stanley regularly and rigorously monitors the quality of the executions provided by all market centers to which customer orders are routed to ensure those market centers are providing the best execution reasonably available under the circumstances.

Additional information regarding these disclosures will be provided upon written request and certain order routing information is available online at www.morganstanley.com/wealth/investmentsolutions/disclosures.asp

Notice Regarding the Order Protection Rule

The following is being provided pursuant to FINRA Rule 5320, the Order Protection Rule, a copy of which can be obtained at www.finra.org/.

Morgan Stanley and its trade routing destinations may trade principally at prices that would satisfy your equity trading order through its and their use of internal controls, such as information barriers and separate lines of supervision, that operate to prevent a trading unit that handles principal positions from obtaining knowledge of customer orders held by a separate trading unit. With respect to certain “Not Held” large orders (orders for more than 10,000 shares and \$100,000), the same internal controls may not be available. For these orders you may instruct us that you do not wish us or our routing destinations to trade principally alongside your order. Such instruction will limit the range of execution alternatives that we are able to offer.

Additional information regarding the handling of your equity orders is available online at <http://www.morganstanley.com/wealth/investmentsolutions/disclosures.asp>

Electronic Communication Networks and Alternative Trading Systems

Morgan Stanley is committed to providing the best execution for customer orders. In furtherance of this commitment, Morgan Stanley considers several factors, including price, the available liquidity pool, execution speed, transaction costs, service, and opportunities for price improvement in determining where to route customer orders for execution. Industry regulations require that we disclose whether we receive compensation for directing client orders for execution to various dealers, exchanges or market centers. This compensation is commonly referred to as “payment for order flow.” Morgan Stanley and/or its affiliates accept benefits that constitute payment for order flow. Morgan Stanley routes customer orders to national securities exchanges, alternative trading systems (“ATSS”), including electronic communications networks (“ECNs”), and other market centers. Certain market centers offer cash credits for orders that provide liquidity to their books and charge explicitly fees for orders that extract liquidity from their books. From time to time, the amounts of credits that Morgan Stanley and/or its affiliates receive from one or more such market centers may exceed the amounts that they are charged. Under these limited circumstances, such payments would constitute payment for order flow. Notwithstanding the foregoing, Morgan Stanley regularly and rigorously monitors the quality of the executions provided by all market centers to which customer orders are routed to ensure those market centers are providing the best execution reasonably available under the circumstances. Additional information regarding these disclosures will be provided upon written request and certain order routing information is available online at www.morganstanley.com/wealth/investmentsolutions/disclosures.asp

Morgan Stanley and/or its affiliates have ownership interests in and/or Board seats on ECNs or ATSSs. In certain instances, Morgan Stanley and/or its affiliates may be deemed to control one or more of such ECNs or ATSSs based on the level of such ownership interests and whether Morgan Stanley and/or its affiliates are represented on the Board of such ECNs or ATSSs. Morgan Stanley and/or its affiliates may from time to time, directly or indirectly, effect client trades through ECNs or other ATSSs in which Morgan Stanley and/or its affiliates have or may acquire an interest or Board seat, and Morgan Stanley and/or its affiliates may thereby receive an indirect economic benefit based upon their ownership in the ECNs or other ATSSs. Morgan Stanley and/or its affiliates will, directly or indirectly, execute through an ECN or other ATS in which it has an interest only in situations where Morgan Stanley and/or its affiliates, or the broker dealer through whom they are accessing the ECN or ATS, reasonably believes such transaction will be in the best interest of its clients and the requirements of applicable law have been satisfied.

In particular, pursuant to certain arrangements that were entered into in connection with the formation of Morgan Stanley, it is contemplated that Morgan Stanley, subject at all times to its obligations to obtain best execution for its customers’ orders, will route certain customer order flow to its affiliates, Morgan Stanley & Co, LLC and Citigroup Global Markets Inc. Furthermore, currently, Morgan Stanley and/or its affiliates (including affiliates of Morgan Stanley & Co, LLC and Citigroup Global Markets Inc.) own over 5% of the voting securities of certain ECNs or ATSSs, including: (i) BATS Trading, Inc., operator of BATS Electronic Trading Network (commonly referred to as “BATS”); (ii) the entities that own and control the Block Interest Discovery Service (commonly referred to as “BIDS”); (iii) LavaFlow Inc.; (iv) EBX Group, LLC; (v) ELX Futures Holdings, LLC; (vi) ELX Futures, LP; (vii) The MuniCenter; (viii) Boston Options Exchange, LLC; (ix) FX Alliance Inc.; (x) National Securities Exchange; (xi) the entity that owns and controls Pure Trading (Canadian Trading and Quotation System Inc., or “CNQ”); (xii) Optifreeze

(Ballista Securities); (xiii) Liquidity Hub Limited; (xiv) NYSELife US; (xv) OTCDerivNet; (xvi) TradeWeb; (xvii) Green Exchange Holdings LLC; and (xviii) MARKIT. Other exchanges, ECNs or ATSs on which Morgan Stanley may execute trades for client accounts include Archipelago, eSpeed, Instinet, NYFIX, Track ECN, BondDesk, ValuBond, and MarketAxe. The ECNs and ATSs on which Morgan Stanley trades for client accounts and in which Morgan Stanley and/or its affiliates own interests may change from time to time. You may contact your Financial Advisor for an up-to-date list of ECNs and ATSs in which Morgan Stanley and/or its affiliates own interests.

Callable Securities

Call features shown on your account statement indicate the next regularly scheduled call date and price. Your securities may be subject to other redemption features prior to maturity, including sinking funds or extraordinary calls. All securities held in "street name" are commingled with identical securities being held for other clients. In the event any securities so held are "called" by the issuer, we will determine the beneficial ownership thereof by an impartial random selection system as required by rules. Qualified Plan securities that are held in "street name" will be held with identical securities belonging to other clients. Such securities will not, however, be commingled for investment with any other securities.

Minnesota Disclosure Notification

Morgan Stanley's brokers are called Financial Advisors because of the wide array of financial services and products they provide. The State of Minnesota Department of Commerce has determined that a person who uses the title Financial Advisor is considered to be engaged in the business of financial planning. The Department requires us to provide you with the following information. Your Financial Advisor's compensation may be based in whole or in part on commissions or similar charges for transactions in your account. In some instances, your Financial Advisor may share in fees charged for other services provided by or approved by Morgan Stanley and its affiliated companies. Your Financial Advisor is authorized to offer and sell products and services issued by or through Morgan Stanley, its affiliated companies or approved independent entities. These products will be traded, distributed or placed through, or approved for distribution by Morgan Stanley and its affiliated companies. Your Financial Advisor is licensed in Minnesota as a securities agent and may also be licensed as an insurance agent. These licenses entitle your Financial Advisor to offer and sell as appropriate, securities such as common stocks, bonds, government securities, mutual funds, unit investment trusts, direct investments and options; commodities and commodity futures; insurance and annuity products; and personal financial planning services. For further information, please contact your Financial Advisor.

For California Residents Age 65 or Older

Pursuant to Section 789.8 of the California Insurance Code, it is important that you are aware that the sale or liquidation of any stock, bond, IRA, certificate of deposit, mutual fund, annuity, or other asset to fund the purchase of this product may have tax consequences, early withdrawal penalties, or other costs or penalties as a result of the sale or liquidation. You may wish to consult an independent legal or tax advisor before selling or liquidating any assets prior to the purchase of any life or annuity products.

Notice of Escheatment

Depending on your mailing address, the property in your account(s) may be to the appropriate state if we are unable to contact you by mail or email and no activity has occurred in the account within the time period specified by state law. For further information regarding how the laws of escheatment in your state may affect your account(s), please contact your Financial Advisor.

Canadian Addendum to Account Agreements

This Canadian Addendum to Account Agreements forms part of your account agreement with Morgan Stanley Smith Barney LLC and sets forth additional terms and conditions pursuant to which Morgan Stanley Smith Barney LLC will perform services for you. In the event that any provision of this Canadian Addendum to Account Agreements conflicts with or is inconsistent with any other provision of your account agreement, the provisions of this Canadian Addendum to Account Agreements shall prevail.

I. General Disclosure Morgan Stanley Smith Barney LLC (“MSSB,” “us,” “our” or “we”) is a limited liability company governed by the laws of the State of Delaware. It is registered as a broker-dealer and investment adviser with the U.S. Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority. Our head office is located at 2000 Westchester Avenue, Purchase, NY 10577-2530.

MSSB is registered as an exempt market dealer, and operates under the international dealer and international adviser exemptions, in each of the provinces of Canada.

As a client of MSSB resident in a jurisdiction of Canada, you should be aware that, because MSSB does not have a place of business in, and all or substantially all of its assets are situated outside of, Canada, you may have difficulty in enforcing any legal rights you might have against MSSB.

II. Know Your Client and Suitability MSSB is required by applicable Canadian securities law to collect certain information about its clients. Information is collected for various purposes, including to confirm whether a client is an insider of a reporting issuer and to make determinations about the suitability of recommendations made to clients or investments made for client accounts by MSSB when it acts as investment manager. Accordingly, MSSB will ask about your investment objectives, financial circumstances, risk tolerance and, in the case where MSSB lends money, extends credit or provides margin, your creditworthiness. MSSB is required by applicable Canadian securities law to make efforts to keep the information collected up to date. Accordingly, you agree to keep information provided to MSSB current and advise MSSB as soon as possible if your financial circumstances change in any material way. You also agree that where your MSSB Financial Advisor reasonably holds the opinion that instructions from you regarding a trade are unsuitable to your objectives, financial circumstances or risk tolerance, your MSSB Financial Advisor will inform you of this opinion and will not proceed with the trade unless you give instructions to proceed nonetheless.

As a condition of us providing services to you, if you have represented to us that you are an “accredited investor” or a “permitted client” (as such terms are defined under applicable Canadian securities law), you will advise us promptly in writing if you are no longer an “accredited investor” or “permitted client,” as applicable.

III. Referral Arrangements You acknowledge and agree that MSSB may enter into referral agreements with third parties from time to time. MSSB will not seek referrals from, or refer you to, a third party in exchange for a fee unless the nature of the referral is disclosed to you in writing, including the name of the third party, the services that would be provided by the third party, any conflicts of interest that may result from the referral, the method of calculat-

ing the referral fee, whether the third party is registered or exempt from registration under applicable Canadian securities law and any other relevant information.

IV. Conflicts of Interest MSSB is required under applicable Canadian securities law to maintain policies and procedures to identify and respond to any conflicts of interest that may arise when providing services to you. Such policies are described in your MSSB account agreement, as may be amended from time to time.

V. Related and Connected Issuers MSSB is required under applicable Canadian securities law, when trading in or advising with respect to its own securities or securities of certain other issuers to which it and/or certain other parties related to it are related or connected to do so only in accordance with particular disclosure and other rules. These rules require dealers and advisers to inform clients of the relevant relationships and connections with the issuer of the securities.

Issuers that are “related” to MSSB are those that influence or are influenced by MSSB or are in like relation to any other issuer also related to Morgan Stanley or Citigroup Inc. (“Citi”). In this context, the term “influence” means having the power, directly or indirectly, to exercise a controlling influence over the management and policies of the company, whether alone or in combination with one or more other persons or companies.

Morgan Stanley: Morgan Stanley beneficially owns 51% of the outstanding voting securities of Morgan Stanley Smith Barney Holdings LLC (“MSSB Holdings”), the sole shareholder of MSSB.

Citi: Citi beneficially owns 49% of the outstanding voting securities of MSSB Holdings.

Other related issuers: Each of Morgan Stanley and Citi directly or indirectly owns in excess of 20% of a class or series of voting securities of numerous companies which may be considered related issuers. Some of these companies may issue securities which are offered in Canada. The breadth and ever changing nature of such companies makes a detailed list of all such companies difficult to report at any particular time. If securities of such companies are distributed in Canada with qualified Canadian investors, MSSB will provide related issuer disclosure in any offering documents delivered to Canadian investors.

MSSB has relationships with the companies listed above. MSSB or its directors, officers, partners, salesmen or other employees may from time to time recommend that you trade in, or provide to you advice about, a security issued by those listed companies. If you wish further information concerning the relationship between the firm and those listed companies, please contact us.

VI. Statement of Policies MSSB’s affiliation with Morgan Stanley, Citi and their subsidiaries makes it necessary to put in place a policy as contained herein aimed at avoiding any conflicts of interest and ensuring that all investment decisions and their execution are made in the best interests of MSSB’s clients.

MSSB will deal with the securities of related and connected issuers in accordance with the following policies:

- MSSB will deal fairly, honestly, and in good faith with its clients.
- MSSB will maintain operational and decision-making autonomy in the management of your funds and the selection of portfolio investments such that all investment decisions relating to purchases and sales of your portfolio securities will be made in the ordinary course of business without the direct or indirect involvement or influence of Morgan Stanley, Citi or any other entity presently associated or affiliated with Morgan Stanley or Citi (or any of their respective directors, officers or employees in their capacities as such).
- Investment decisions will be made on the basis of the business judgment of responsible Financial Advisors uninfluenced by considerations other than the best interest of the clients.
- Subject to applicable laws, MSSB may from time to time purchase securities of related or connected issuers for your portfolio. MSSB will secure your consent to the exercise of the discretionary authority in respect of the securities of a related or connected issuer in the course of a distribution. MSSB will also secure your consent in all other cases where applicable Canadian securities law so requires.

It is in the best interest of MSSB's clients that Morgan Stanley and Citi debt and equity securities, like those of other banks and large corporations, be considered for inclusion in clients' portfolios.

VII. Exemption from Registration Requirements In the event that MSSB is operating under an exemption from the dealer or adviser registration requirements under applicable Canadian securities law, you understand and agree that MSSB is restricted from acting as a dealer or an adviser in respect of securities of Canadian issuers, subject to certain exceptions. If you have questions about these restrictions, please contact your MSSB Financial Advisor.

VIII. Allocation of Investment Opportunities MSSB is required under applicable Canadian securities law to maintain policies directed to ensuring fairness in the allocation of investment opportunities among clients. Such policies are described in your MSSB account agreement, as may be amended from time to time.

IX. Related Registrants As a subsidiary of Morgan Stanley, MSSB is affiliated with the following registrants:

- Morgan Stanley & Co. LLC
- Morgan Stanley Canada Limited

Although there may be overlaps among the directors and officers of these companies, each of these companies is operated as a separate legal entity. These entities may, from time to time, cooperate in offering products and services for the benefit of our clients but there is no exchange of confidential customer information among these companies without a client's express consent except for audit, statistical or recordkeeping purposes or as otherwise permitted by law. All brokerage business for client portfolios maintained by MSSB or otherwise allocated by MSSB, as an investment manager, is based upon overall service and prompt execution of orders on favourable terms and all brokerage transactions will be made on competitive terms and conditions. Any brokerage transactions executed through related dealers will be on competitive terms and conditions, including as to brokerage fees.

MSSB has adopted compliance requirements to ensure that conflicts with related businesses are avoided and business is conducted with integrity and in accordance with applicable law.

X. Agents for Service MSSB has appointed the agents for service in the corresponding jurisdictions in Canada as indicated in Appendix A attached hereto.

APPENDIX A AGENTS FOR SERVICE

JURISDICTION	AGENT FOR SERVICE	JURISDICTION	AGENT FOR SERVICE
British Columbia	Borden Ladner Gervais LLP 1200 Waterfront Centre 200 Burrard Street Vancouver, BC V7X 1T2 Attn: Jason Brooks	Quebec	Osler, Hoskin & Harcourt LLP 1000 De La Gauchetière Street West Suite 2100 Montréal, QC H3B 4W5 Attn: Ward Sellers
Alberta	Osler, Hoskin & Harcourt LLP 450 - 1st St. S.W. Suite 2500, TransCanada Tower Calgary, AB T2P 5H1 Attn: Colin Feasby	New Brunswick	Stewart McKelvey 44 Chipman Hill Suite 1000, Brunswick House P.O. Box 7289, Postal Station A Attn: Paul Smith
Saskatchewan	MacPherson Leslie & Tyerman LLP 1500 Hill Centre I 1874 Scarth Street Regina, SK S4P 4E9 Attn: Aaron Runge	Nova Scotia	Stewart McKelvey Purdy's Wharf Tower I 1959 Upper Water Street Suite 900 Halifax, NS B3J 2X2 Attn: Gavin Stuttard
Manitoba	Thompson Dorfman Sweatman LLP 201 Portage Avenue Suite 2200 Winnipeg, MB R3B 3L3 Attn: Barry MacTavish	Prince Edward Island	Stewart McKelvey 65 Grafton Street P.O. Box 2140 Charlottetown, PEI C1A 8B9 Attn: Keith Boswell
Ontario	Osler, Hoskin & Harcourt LLP 1 First Canadian Place Suite 6600 Toronto, ON M5X 1B8 Attn: Mark Hogan	Newfoundland and Labrador	Stewart McKelvey 100 New Gower Street Suite 1100, Cabot Place P.O. Box 5038 St. John's, NF A1C 5V3 Attn: Geoff Brown

DISCLOSURE TO CANADIAN PERMITTED CLIENTS UNDER NATIONAL INSTRUMENT 31-103

Notice

As a client of Morgan Stanley Smith Barney LLC (“MSSB,” “us,” “our” or “we”) resident in a jurisdiction of Canada, please be advised that MSSB is a limited liability company formed under the laws of the State of Delaware and operates under exemptions from the dealer and adviser registration requirements in your jurisdiction. As such, MSSB is not relying on any registration as a dealer in your jurisdiction when operating under one of those exemptions. In addition, we wish to notify you of the following:

1. Our head office is located at 2000 Westchester Avenue, Purchase, NY 10577-2530; and
2. You may face difficulty in enforcing legal rights you may have against us because of the above and because we are resident outside of Canada and all or substantially all of our assets are situated outside of Canada.

“CANADIAN PERMITTED CLIENT” REPRESENTATION

As a condition of us providing services to you, you are deemed to represent to us that you are, and you will advise us promptly in writing if you are no longer, a “Canadian Permitted Client” (as defined in Sections 8.18 and 8.26 of National Instrument 31-103 – Registration Requirements and Exemptions, or as otherwise interpreted and applied by the Canadian Securities Administrators) and, in particular, if we are acting as your adviser, you are not registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer.

Privacy Notice From Morgan Stanley Smith Barney LLC

This privacy notice describes the U.S. privacy policy of Morgan Stanley Smith Barney LLC, Morgan Stanley & Co. LLC, Morgan Stanley Bank, N.A., Morgan Stanley Private Bank, N.A. and Morgan Stanley Trust, N.A. (“us,” “our” or “we”).

We are required by federal law to provide you with notice of our U.S. privacy policy (“Policy”). This Policy applies to both our current and former clients unless we state otherwise and is intended for individual clients who purchase products or receive services from us for personal, family or household purposes. This Policy is not applicable to partnerships, corporations, trusts or other non-individual clients or account holders, nor is this Policy applicable to individuals who are either beneficiaries of a trust for which we serve as trustee or participants in an employee benefit plan administered or advised by us. This Policy is, however, applicable to individuals who select us to be a custodian of securities or assets in individual retirement accounts, 401(k) accounts, or accounts subject to the Uniform Gifts to Minors Act.

This notice sets out our business practices to protect your privacy; how we collect and share personal information about you; and how you can limit our sharing or certain uses by others of this information. We may amend our Policy at any time, and will inform you of any changes to our Policy as required by law.

WE RESPECT YOUR PRIVACY

We appreciate that you have provided us with your personal financial information and understand your concerns about your information. We continue to follow the long-standing commitment to safeguard the information our clients entrust to us. Protecting the confidentiality and security of client information is an important part of how we conduct our business.

This notice describes what personal information we collect about you, how we collect it, when we may share it with others, and how certain others may use it. It discusses the steps you may take to limit our sharing of certain information about you with our affiliated companies,

including but not limited to our affiliated investment management businesses, our banking businesses and our credit services affiliates. It also discloses how you may limit our affiliates' use of shared information for marketing purposes.

Throughout this notice, we refer to the nonpublic information that personally identifies you as "personal information." We also use the term "affiliated company" in this notice. An affiliated company is a company in our family of companies, and includes companies with the Morgan Stanley name as well as, for purposes of any relationship you may have with Morgan Stanley Smith Barney LLC, companies with the Citibank, Citigroup or Citi names. These affiliated companies are financial institutions, such as broker-dealers, banks, and credit card issuers. We refer to any company that is not an affiliated company as a nonaffiliated third party.

For purposes of Section 5 of this notice, and your ability to limit certain uses of personal information by our affiliates, this notice applies to the use of personal information by our affiliated companies.

1. WHAT PERSONAL INFORMATION DO WE COLLECT ABOUT YOU?

We may collect the following types of personal information about you: (i) information provided by you, including information from applications and other forms we receive from you, (ii) information about your transactions with us or our affiliates, (iii) information about your transactions with nonaffiliated third parties, (iv) information from consumer reporting agencies, (v) information obtained from our websites, and (vi) information obtained from other sources.

For example:

- We collect information such as your name, address, email address, telephone /fax numbers, assets, income and investment objectives through applications and other forms you submit to us.
- We may obtain information about account balances, your use of account(s) and the types of products and services you prefer to receive from us through your dealings and transactions with us and other sources.
- We may obtain information about your creditworthiness and credit history from consumer reporting agencies.
- We may collect background information from and through third-party vendors to verify representations you have made and to comply with various regulatory requirements.

2. WHEN DO WE DISCLOSE PERSONAL INFORMATION WE COLLECT ABOUT YOU?

We may disclose personal information we collect about you in each of the categories listed above to affiliated companies and to nonaffiliated third parties.

a. Information we disclose to affiliated companies

We may disclose personal information that we collect about you to our affiliated companies, which include both financial service providers and nonfinancial companies, for a variety of reasons, including to manage your account(s) effectively, to service and process your transactions, to let you know about products and services offered by us and our affiliated companies, to manage our business, and as otherwise required or permitted by law. Offers for products and services from our affiliated companies are developed under conditions designed to safeguard your personal information.

b. Information we disclose to nonaffiliated third parties

We may disclose personal information that we collect about you to nonaffiliated third parties, which include both financial service providers and nonfinancial companies. We may disclose all of the information we collect, as described above, to companies that perform marketing services on our behalf or to other financial institutions with whom we have joint marketing agreements. We may also disclose all of the information we collect to other nonaffiliated third parties for our everyday business purposes, such as to process transactions, maintain account(s), respond to court orders and legal investigations, report to credit bureaus, offer our own products and services, protect against fraud, for institutional risk control, to perform services on our behalf, and as otherwise required or permitted by law.

For Morgan Stanley Smith Barney LLC clients, we recognize that your relationship with your Financial Advisor or Private Wealth Advisor is important. If your Financial Advisor or

Private Wealth Advisor's affiliation with Morgan Stanley Smith Barney LLC ends and he or she joins a nonaffiliated securities broker-dealer with which Morgan Stanley Smith Barney LLC has entered into an agreement limiting the use of information, Morgan Stanley Smith Barney LLC will permit your Financial Advisor or Private Wealth Advisor to retain certain of your contact information, limited to your name, address, email address, phone number and account title. Other than the disclosure described in this paragraph or as otherwise required or permitted by law, we do not disclose any personal information about our former customers.

When we share personal information about you with a nonaffiliated third party, they are required to limit their use of personal information about you to the particular purpose for which it was shared and they are not allowed to share personal information about you with others except to fulfill that limited purpose or as may be permitted or required by law.

3. HOW DO WE PROTECT THE SECURITY AND CONFIDENTIALITY OF PERSONAL INFORMATION WE COLLECT ABOUT YOU?

We maintain physical, electronic and procedural security measures that comply with applicable law and regulations to help safeguard the personal information we collect about you. We have internal policies governing the proper handling of client information by employees. Third parties that provide support or marketing services on our behalf may also receive personal information about you, and we require them to adhere to appropriate security standards with respect to such information.

4. HOW CAN YOU LIMIT OUR SHARING CERTAIN PERSONAL INFORMATION ABOUT YOU WITH OUR AFFILIATED COMPANIES FOR ELIGIBILITY DETERMINATION?

By following the opt-out procedures in Section 6, below, you may limit the extent to which we share with our affiliated companies personal information that was collected to determine your eligibility for products and services such as your credit reports and other information that you have provided to us or that we may obtain from third parties ("eligibility information"). Eligibility information does not include your identification information or personal information pertaining to our transactions or experiences with you. Please note that, even if you direct us not to share eligibility information with our affiliated companies, we may still share your personal information, including eligibility information, with our affiliated companies under circumstances that are permitted under applicable law, such as to process transactions or to service your account.

5. HOW CAN YOU LIMIT THE USE OF CERTAIN PERSONAL INFORMATION ABOUT YOU BY OUR AFFILIATED COMPANIES FOR MARKETING?

By following the opt-out instructions in Section 6, below, you may limit our affiliated companies from marketing their products or services to you based on personal information we disclose to them. This information may include, for example, your income and your account history with us. Please note that, even if you choose to limit our affiliated companies from using personal information about you that we may share with them for marketing their products and services to you, our affiliated companies may use your personal information that they obtain from us to market to you in circumstances permitted by law, such as if the affiliated party has its own relationship with you.

6. HOW CAN YOU SEND US AN OPT-OUT INSTRUCTION?

If you wish to limit our sharing of eligibility information about you with our affiliated companies, or our affiliated companies' use of personal information for marketing purposes, as described in this notice, you may do so by:

- Calling us at 1-800-295-1460
- Sending an email to privacy-optout@morganstanley.com, or
- Writing to us at the following address:

Morgan Stanley
National New Accounts
P.O. Box 95002
South Jordan, UT 84095

If you choose to email or write to us, your request should include your name, address, telephone number and account number(s) to which the opt-out applies and whether you are opting out with respect to sharing of eligibility information (Section 4 above), or information used for marketing (Section 5 above), or both. Written opt-out requests should not be sent with any other correspondence. In order to process your request, we require that the request be provided by you directly and not through a third party. Once you have informed us about your privacy preferences, your opt-out preference will remain in effect with respect to our Policy (as it may be amended) until you notify us otherwise. If you are a joint account owner, we will accept instructions from any one of you and apply those instructions to the entire account.

Please understand that if you limit our sharing or our affiliated companies' use of personal information, you and any joint account holder(s) may not receive information about our affiliated companies' products and services, including products or services that could help you manage your financial resources and achieve your investment objectives.

If you have more than one account or relationship with us, please specify the accounts to which you would like us to apply your privacy choices. If you have accounts or relationships with our affiliates, other than those who are providing you this notice, you may receive multiple privacy notices from them. You will need to separately notify those companies of your privacy choices for those accounts or relationships.

7. WHAT IF AN AFFILIATED COMPANY BECOMES A NONAFFILIATED THIRD PARTY?

If, at any time in the future, an affiliated company becomes a nonaffiliated third party, further disclosures of personal information made to the former affiliated company will be limited to those described in Section 2(b) above relating to nonaffiliated third parties. If you elected under Section 6 to limit disclosures we make to affiliated companies, or use of personal information by affiliated companies, your election will not apply to use by any former affiliated company of your personal information in their possession once it becomes a nonaffiliated third party.

SPECIAL NOTICE TO RESIDENTS OF VERMONT

The following section supplements our Policy with respect to our individual clients who have a Vermont address and supersedes anything to the contrary in the above Policy with respect to those clients only.

The State of Vermont requires financial institutions to obtain your consent prior to sharing personal information that they collect about you with nonaffiliated third parties, or eligibility information with affiliated companies, other than in certain limited circumstances. Except as permitted by law, we will not share personal information we collect about you with nonaffiliated third parties, or eligibility information with affiliated companies, unless you provide us with your written consent to share such information.

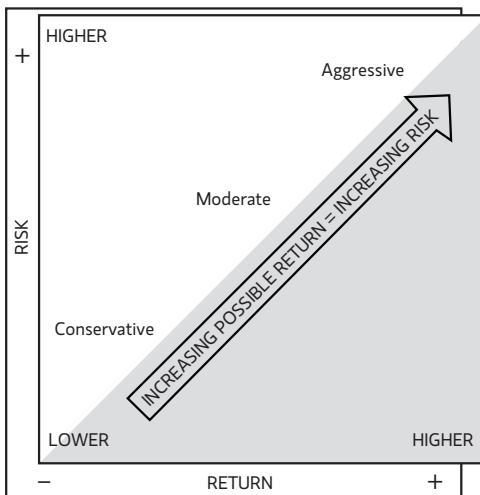
SPECIAL NOTICE TO RESIDENTS OF CALIFORNIA

The following section supplements our Policy with respect to our individual clients who have a California address and supersedes anything to the contrary in the above Policy with respect to those clients only.

In response to a California law, if your account has a California home address, your personal information will not be disclosed to nonaffiliated third parties except as permitted by applicable California law, and we will limit sharing such personal information with our affiliates to comply with California privacy laws that apply to us.

Risk & Return

The chart below illustrates the trade-off between risk and return in the capital markets.



All investments carry risk and even relatively conservative and “safe” investments may expose your money to interest rate risk, inflation risk, as well as remote but potentially significant liquidity, credit or other risks in temporary or extended market dislocations which could lead to losses more commensurate with a traditionally higher risk investment.

RISK TOLERANCE

Aggressive	Investors who emphasize return on investment over principal preservation. They are willing to subject a greater portion of their portfolio to risk in anticipation of a greater return on investment.
Moderate	Investors willing to subject a portion of their principal to increased risk in order to generate a greater rate of return.
Conservative	Investors who emphasize principal preservation over return on investment.

INVESTMENT OBJECTIVES

Income	For investors seeking regular income with low to moderate risk to principal.
Aggressive Income	For investors seeking higher returns either as growth or as income with greater risk to principal.
Capital Appreciation	For investors seeking capital appreciation with moderate to high risk to principal.
Speculation	For investors seeking high profits or quick returns with considerable possibility of losing most or all of their investment.

Morgan Stanley Smith Barney LLC and its affiliates, and its employees are not in the business of providing tax or legal advice. These materials and any tax-related statements are not intended or written to be used, and cannot be used or relied upon, by any such taxpayer for the purpose of avoiding tax penalties. Tax-related statements, if any, may have been written in connection with the "promotion or marketing" of the transaction(s) or matter(s) addressed by these materials, to the extent allowed by applicable law. Any such taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.