

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 websites: 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 for most UITs is composed of three components. First, there is an initial sales charge applied to your purchase amount (equal to approximately 1.00%). Second, most UITs assess a deferred sales charge. The deferred sales charge (equal to approximately 1.45%) is generally deducted in periodic installments following the end of the initial offering period. Finally, most UITs 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%) is deducted at the end of the initial offering period.

UITs may also be offered through fee-based investment advisory accounts. UIT units purchased through a fee-based investment advisory account are not assessed the initial sales 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 generally applicable to a 15-month equity UIT. Actual charges may differ based on the duration of the UIT and the terms of each UIT sponsor's prospectus. Longer duration UITs generally have higher sales charges. 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 2.20%; between \$500,000 – \$999,999, the sales charge would be 1.95%; and for amounts greater than \$1,000,000, the sales charge would be 1.40%.

- Many UITs offer a 1.00% reduction in the sales charge if you invest using proceeds from an earlier series of the same UIT or any other UIT from the same sponsor, or 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 From a Nonaffiliated Sponsor

Nonaffiliated UIT sponsors compensate Morgan Stanley 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.

How Morgan Stanley and Your Financial Advisor Are Compensated When You Buy UITs Sponsored by Morgan Stanley

Morgan Stanley receives a gross underwriting commission equal to the initial sales charge of 1.00% of the Public Offering Price (subject to reduction on a graduated scale basis in the case of volume purchases, and subject to reduction for purchasers as described above) and the Deferred Sales Charge of \$0.145 per unit deducted in three monthly installments. Each UIT prospectus describes the applicable sales load and dealer concession for each different breakpoint. We pay a portion of these amounts to our Financial Advisors similar to the amounts that they receive when selling a nonaffiliated UIT. UITs purchased through a fee-based investment advisory account do not result in any additional compensation to your Financial Advisor.

As sponsor, Morgan Stanley receives a creation and development fee of \$0.05 per unit payable from the assets of each affiliated UIT. This fee compensates Morgan Stanley for the creation and development of each UIT, including the determination of the objectives and policies and portfolio composition and size, and selection of service providers and information services. As sponsor, Morgan Stanley also receives an annual fee for the administrative and other services which it provides during the life of each UIT.

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 offering 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 0.175% 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 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 Nonaffiliated UIT Sponsors

Morgan Stanley offers investors a broad spectrum of UIT products from multiple UIT sponsors. Morgan Stanley may make additional UIT sponsors available in the future. In order to offer UITs through Financial Advisors, UIT sponsors are generally required to enter into a UIT Support Fee agreement that includes payment of \$350,000 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. 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 October 2015.

For additional and the most current information, call your Financial Advisor.