Depending on your needs and your investment objectives, Morgan Stanley may assist you with brokerage services, investment advisory services or both. There are important differences highlighted below between brokerage and advisory accounts, including their costs, the services we provide and the rules that govern them. You should carefully consider these differences when deciding which type, or combination of types, of services and accounts are right for you.

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

What are Brokerage Accounts and Services?
When we act as a broker-dealer in connection with your brokerage account, we will facilitate the execution of transactions based on your instructions. In addition, when we act as a broker, we also offer investor education, research, financial tools and personalized information about financial products and services, including recommendations about whether to buy, sell or hold securities. We do not charge a separate fee for these services because these services are part of, and should be considered 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.

What Is Morgan Stanley’s Role When Handling A Brokerage Account?
When providing brokerage services to you, we have to act in your best interest and not put our interest ahead of yours. However, we generally do not have a fiduciary obligation to you nor do we have an investment advisory relationship with you. Please note the “best interest” obligation described immediately above applies only to Retail Customers, as defined in regulations issued by the SEC. A Retail Customer is a natural person, or the legal representative of such natural person, who (A) receives a recommendation of any securities transaction or investment strategy involving securities from a broker, dealer or a natural person who is an associated person of a broker or dealer, and (B) uses the recommendation primarily for personal, family or household purposes. In addition, our legal obligations and standard of conduct may vary under state law or
regulations, the Employee Retirement Income Security Act of 1974, as amended, or “ERISA”, and any professional conduct standards, as applicable.

What are Investment Advisory Accounts and Services?
In addition to brokerage services, Morgan Stanley offers a variety of investment advisory programs and services to our clients, including comprehensive financial planning, non-discretionary and discretionary portfolio management, and advice on the selection of professional asset managers and securities.

We act as your investment adviser only when we have entered into a written agreement with you that describes our advisory relationship and our obligations to you. You also will receive a disclosure document about our advisory services, called a Form ADV Brochure, that describes, among other things, our business, the services we provide, our advisory fees, our personnel, and potential conflicts between our interests and yours. Investment Advisers are governed by the Investment Advisers Act of 1940 and applicable state securities laws. When acting as your investment adviser, we are considered to have a fiduciary relationship with you In addition, for advisory retirement accounts, we are acting as a fiduciary under the Employee Retirement Income Security Act of 1974 (“ERISA”) and/or under section 4975 of the Internal Revenue Code (“Code”).

What is Your Financial Advisor’s Role When Handling an Investment Advisory Account?
Depending on the nature of the investment advisory account you choose, your Financial Advisor’s authority over the activity in your account will differ. For example, in our Portfolio Management program, your Financial Advisor will have the discretionary authority to execute investment decisions on your behalf. In our Consulting Group Advisor 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. In other account types your Financial Advisor will select or recommend investment products or third-party managers.

How You are Charged for Brokerage and Investment Advisory Accounts?

Brokersage Accounts
In a brokerage account, you generally compensate Morgan Stanley and your Financial Advisor through a commission for each equity transaction, a mark-up/mark-down for bond transactions and a sales charge for mutual fund transactions. Therefore, in a brokerage account your total costs will generally increase or decrease as a result of the frequency of transactions in the account and the type of securities you purchase. Other costs will also apply to your account.

Investment Advisory Accounts
In an investment advisory account, you generally compensate Morgan Stanley and our Financial Advisor through an annual fee, payable monthly, in advance based on the total value of the assets in your investment advisory account at the end of the previous month. This Morgan Stanley Advisory fee (“Advisory Fee”) typically covers our investment advisory services, trade execution through Morgan Stanley, custody of securities at Morgan Stanley, reporting, and compensation to your Financial Advisor. Depending upon the investment advisory program you select, you may also be charged a professional money manager’s (“Manager”) fee as well as additional fees for overlay services and platform maintenance. Morgan Stanley or the Manager may determine that best execution is more likely to be achieved by having a broker-dealer other than Morgan Stanley execute the transaction, even though such broker-dealer requires payment of a fee or other charges. This applies to certain transactions, including, without limitation, block trades in which Morgan Stanley or the Manager aggregates securities purchases or sales for the account with those of one or more of its other clients. In such instances, your account will be charged a commission or commission equivalent. These costs are in addition to the Advisory Fee you pay to Morgan Stanley, will be included in the net price of the security, and will not be reflected as a separate charge on your trade confirmations or account statements.

Certain Managers have historically directed most, if not all, their trades to external broker-dealers. The information provided by Managers concerning trade execution away from Morgan Stanley is summarized at: http://www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/sotresponse.pdf. For more information on trading and costs, please refer to the ADV Brochure for your applicable program, available at http://www.morganstanley.com/ADV, or by contacting your Financial Advisor or Private Wealth Advisor.

In evaluating which broker or dealer will provide the best execution, Morgan Stanley or the Manager, in its sole discretion and in accordance with applicable law (including the obligation to seek best execution), will consider the full range and quality of a broker’s or dealer’s services, which may include, among other things, the value of research provided as well as execution capability, commission rate, financial responsibility and responsiveness. These entities
may select broker-dealers that provide Morgan Stanley and/or the Manager research or other transaction-related services and may cause you to pay such broker-dealer commissions for effecting transactions in excess of the commission other broker-dealers may have charged. Such research and other services may be used for Morgan Stanley’s or the Manager’s own or other client accounts to the extent permitted by law.

Our services and responsibilities, as well as the applicable fees charge to your account, are described in the investment advisory agreement we enter into with you, the playback letter provided to you after account opening, and the Form ADV Brochure applicable to the program you have selected.

**BOTH BROKERAGE AND ADVISORY ACCOUNTS**

In both brokerage and investment advisory accounts that include products such as mutual funds or exchange traded funds, you will incur additional expenses including investment management fees of the fund as well as operating expenses that are reflected in the funds’ share price. These expenses are not included in Morgan Stanley’s fees.

Other fees and expenses in addition to those outlined above, or different fee arrangements, may apply in both brokerage and investment advisory accounts as described in our agreements with you.

**When We Act as Both Your Broker-Dealer and Your Investment Adviser**

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, you may maintain multiple accounts (some of which are brokerage accounts and some of which are investment advisory accounts) with Morgan Stanley at the same time. Also, although we may consider your brokerage account assets in preparing guidelines or determining appropriate investments for your investment advisory accounts, our brokerage relationship continues with respect to your brokerage assets.

**For More Information**

We encourage you to carefully consider the differences between brokerage and investment advisory services, particularly in terms of our obligations to you, the services we provide and the costs of those services. You should consider your existing and anticipated level of trading activity, the types of investments you wish to hold and the level of discretion you wish to retain over security selection when determining which account type is right for you. The Form ADV Brochures provide additional information, including disclosure of conflicts, and are available at: www.morganstanley.com/adv.

If you have additional questions, please contact a member of your Morgan Stanley team.