

# **Form ADV Wrap Fee Program Brochure Morgan Stanley Smith Barney LLC**

Select UMA® Program

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**This Wrap Fee Program Brochure provides information about the qualifications and business practices of Morgan Stanley Smith Barney LLC (“MSWM”). If you have any questions about the contents of this Brochure, please contact us at (914) 225-1000. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about MSWM also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).  
Registration with the SEC does not imply a certain level of skill or training.**

## **Item 2: Material Changes**

**This section identifies and discusses material changes to the ADV Brochure since the version of this Brochure dated July 28, 2023. For more details on any particular matter, please see the item in this ADV Brochure referred to in the summary below.**

### **Tax Management & Tax Loss Harvesting**

Updates were made to Tax Management and Tax Loss Harvesting, *Item 4.A and Exhibit A*

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## Item 4: Services, Fees, and Compensation

Morgan Stanley Smith Barney LLC (“Morgan Stanley Wealth Management”, “MSWM”, “we”, “us” or “our”) is a registered investment adviser and a registered broker-dealer. MSWM is one of the largest financial services firms in the U.S. with branch offices in all 50 states and the District of Columbia.

MSWM offers clients many different advisory programs that have different features and support different types of investment strategies. This Form ADV Brochure (“Brochure”) is for the Select UMA program offered by MSWM (“Program”). You may obtain ADV Brochures for other MSWM investment advisory programs at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV) or by asking your Financial Advisor, your Private Wealth Advisor if you are a Morgan Stanley Private Wealth Management client, or your Institutional Consultant if you are Morgan Stanley Graystone Consulting client. Throughout the rest of this Brochure, “Financial Advisor” means your Financial Advisor, Private Wealth Advisor, or Institutional Consultant, as applicable.

### ***MSWM is a Fiduciary to You.***

In serving as investment adviser in the Program, MSWM is a fiduciary to you. We are registered as an investment adviser under the Investment Advisers Act of 1940, as amended (“Act”), which places a fiduciary obligation on us when providing the investment advisory services described herein.

In addition, we reasonably expect to act as a “fiduciary”, as that term is defined in Section 3(21)(A) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and/or Section 4975 of the Internal Revenue Code of 1986, as amended (the “Code”), when providing investment advisory services to Retirement Accounts in the Program. For purposes of this Brochure (including Exhibit B), the term “Retirement Account” applies to (i) “employee benefit plans” (as defined under Section 3(3) of ERISA), which include pension defined contribution, profit-sharing and welfare plans sponsored by private employers, as well as similar arrangements sponsored by governmental or other public employers; (ii) individual retirement accounts “IRAs” (as described in Section 4975 of the Code); and (iii) Coverdell Educational Savings Accounts.

As a fiduciary, we will assure that your best interests come first. We endeavor to provide you full disclosure of all material facts relating to our investment advisory relationship with you. Our advisory programs are designed to avoid conflicts of interest. In situations where the appearance of, or potential for, such a conflict exists, we will clearly disclose the details to you.

A key feature of the Program is that we will provide you with objective investment advice. Investment products available for your account have gone through an intensive due diligence process by our experienced professionals. Our recommendations of such products are made after we have reviewed your investment goals, risk tolerance, and financial situation with you

and determined that the recommended investment products are appropriate for you. We will provide on-going investment advice to you and monitor your investments to ensure that they remain consistent with your investment objectives and risk tolerance.

We will not effect transactions between your accounts and our own accounts (which is referred to as “principal trading”) without your informed consent, except as permitted by applicable law, rule, or regulation.

We will seek to obtain the most favorable terms for any transaction that we make in your accounts. This practice is often referred to as “best execution.”

We will supervise our Financial Advisors and other MSWM professionals to ensure that they are providing investment advisory services within applicable guidelines and we will monitor our employees to ensure that they meet prevailing ethical standards. We will disclose material matters to you impacting MSWM, your Financial Advisors, and the investment advisory services we provide to you.

Unless you have selected an external custodian, your account assets are generally custodied at MSWM, except that certain “sweep” assets held in the Bank Deposit Program are custodied with Morgan Stanley Bank, NA or Morgan Stanley Private Bank, NA (together the Morgan Stanley Sweep Banks”) or certain third-party Program Banks. *Please see Item 4.C Services, Fees and Compensation -- Additional Fees – Cash Sweeps below, for more information.*

We will clearly disclose information about the fees you pay, and we receive.

For information on how we protect and use your personal and financial information, please refer to our Privacy Pledge at: <https://www.morganstanley.com/privacy-pledge>

Additional details about the statements described above are found throughout this Brochure.

### **A. General Description of the Select UMA ® Program and Services**

#### **General Description of the Select UMA Program**

The Program is a unified managed account program in which MSWM acts as investment adviser and sponsor. Your account may invest in some or all of the following investment products (each an “Investment Product”), which may or may not be affiliated with MSWM: (i) mutual funds, including open-end and closed-end mutual funds; (ii) exchange traded funds (“ETF’s”); and/or (iii) separately managed accounts (“SMAs”) managed by an affiliated or third-party portfolio manager (a “Sub-Manager”). Mutual funds and ETFs throughout this Brochure shall be referenced as “Funds”.

SMA's are managed by either (i) a "Model Sub-Manager", which is a Sub-Manager that selects the securities to be included in a model portfolio ("Model Portfolio"). The Model Portfolio is then implemented by MSWM, consistent with its discretionary investment and trading authority, and subject to any reasonable restrictions imposed by you and accepted by MSWM; and/or (ii) an "Executing Sub-Manager", which is a Sub-Manager that selects the securities to be included in the portfolio and then directs the execution through MSWM's agency trading desks or through third party broker dealers, in accordance with its best execution obligations. MSWM has entered into an agreement with each Sub-Manager and has received representations from each Sub-Manager that it is registered as an Investment Adviser under the Act or is exempt from such registration.

In your Account Agreement with MSWM, you authorize each Sub-Manager, for an SMA Investment Product selected for or by you, to act as investment adviser to you and exercise discretion to select securities for your account, as described above. MSWM will provide each Sub-Manager with such information regarding you as is reasonably necessary for the Sub-Manager to fulfill its obligations to you and to MSWM. *See Item 7 (Client Information Provided to Portfolio Managers) below, for more information.* The Sub-Manager may delegate some or all of its functions to an affiliate or third-party upon MSWM's approval. In such instance, the Sub-Manager shall remain liable for the performance of all its obligations pursuant to its agreement with MSWM.

You can choose either a "Single SMA Strategy" or a "MultiStyle" account in the Program. A Single SMA Strategy account invests in only one SMA while a Multi-Style account includes multiple Investment Products in one unified managed account.

MSWM generally selects and approves each Investment Product, available for investment through the Program, based on a variety of factors and then provides ongoing due diligence and monitoring of those investment products as described further in Item 6 below. Each Investment Product for which MSWM or Consulting Group Advisory Services LLC (i) is the Sub-Manager, (ii) is the sponsor, or (iii) provides investment management or other services, shall be referred to in this Brochure as an "MSWM Investment Product." We generally do not perform due diligence on MSWM Investment Products. Additionally, MSWM Investment Products are generally not available to a Retirement Account except in instances where the advisory or management fee is offset, reduced, or adjusted. *Please see Item 6 (Portfolio Manager Selection and Evaluation) below, for more information on Investment Product selection and below under "Fees" in this Item 4 for further information about MSWM Investment Products in Retirement Accounts.*

Investment Products offered or managed by an affiliate of MSWM, including but not limited to Morgan Stanley Investment Management Inc. ("MSIM") and Eaton Vance Management ("EVM"), are not included in the definition of MSWM Investment Products.

## ***Services Provided***

MSWM shall assist with the review and evaluation of your investment objectives, financial goals and risk tolerance based on the information you provided to us at account opening. Based on such information, MSWM and you (or MSWM in the event you have elected Financial Advisor Discretion or Firm Discretion, as defined below) shall select an SMA as the Investment Product in Single SMA Strategy accounts or a portfolio of Investment Products for a Multi-Style account.

### ***Creating a Portfolio in a Multi-Style Account***

In order to construct a Portfolio for a Multi-Style account, MSWM and you will first select an asset allocation investment model (a "Model") from among investment models pre-defined by MSWM. Each of the available Models will represent a different asset allocation and will include one or more asset classes appropriate for the investment objective and risk tolerance you have indicated. MSWM will be responsible for setting the initial asset allocation of each Model and adjusting it from time to time as MSWM deems appropriate. This may include adding asset classes to a Model at any time that MSWM determines that it is appropriate to do so (an "Asset Class Addition"), in accordance with the procedures outlined below.

Except where you have elected a Custom Asset Allocation Model, as defined below, in the event of an Asset Class Addition, MSWM may add a new Asset Class to a Model and may, without further consent from you, populate the new Asset Class with an appropriate Investment Product.

At times, there may be no allocation to an asset class that was formerly in a Model.

You may choose to adopt either the "tactical" or "strategic" version of a Model ("Tactical Allocation Model" or "Strategic Allocation Model" respectively). Tactical Allocation Models use a 1-year outlook based on marginal changes in economic, geopolitical, fundamental, technical, and near-term risk indicators. Strategic Allocation Models use a 7-year time horizon based on current macro regime (business cycle, relative valuations, volatility, and correlation trends). MSWM may leave the Tactical Allocation Model or the Strategic Allocation Model asset allocation unchanged for as long as MSWM deems appropriate. However, it is anticipated that MSWM will change the asset allocation of the Tactical Allocation Model several times per year, while MSWM will change the asset allocation of the Strategic Allocation Model only about once per year. Changes in the asset allocation or an Asset Class Addition will likely result in transactions in your account, and these transactions could have tax consequences for a taxable account.

If you elect to create a custom portfolio (a "Custom Asset Allocation Model"), you or MSWM (in the event you have elected Financial Advisor Discretion or Firm Discretion) will define the Model by setting the asset allocation and adjusting the asset allocation from time to time as you or MSWM (as applicable)

deems appropriate. Your Financial Advisor may utilize recommendations of the MSWM Global Investment Office (“MSWM GIO”) as a resource in assisting you in defining a Custom Allocation Model.

Once a Model has been selected, MSWM and/or you (as applicable) will construct a Portfolio by populating each asset class comprising the Model with one or more Investment Products from the universe of Sub-Managers, mutual funds and ETFs that are on MSWM’s Focus List or Approved List (or their equivalent from time to time), as described in Item 6 below.

*Please see Item 6 (Portfolio Manager Selection and Evaluation) below, for more information on Investment Product selection.*

### Rebalancing

**Default Rebalancing:** In the normal course, MSWM will rebalance your account periodically, whenever MSWM adjusts the asset allocation for a Model, if the asset allocation for your account deviates from the Model allocation by an amount set by MSWM, and/or as requested by you or your Financial Advisor.

**Customized Rebalancing:** As an alternative to Default Rebalancing, you, through your Financial Advisor, will have the option to set customized rebalancing preferences that will rebalance impacted accounts based on the criteria you select. The criteria can be based upon either frequency or market movement. You may elect to implement customized rebalancing at any time.

For frequency-based rebalancing, your accounts will be rebalanced on either a monthly, quarterly, semi-annual, or annual basis, and on or about the specific day that you indicate.

For market movement, or drift, rebalancing, you instruct us to rebalance your account if a given Investment Product within your account deviates from its target allocation by the percentage deviation that you set (e.g., 10%). Drift rebalancing will be triggered if the deviation exists at close of business and the accounts will be rebalanced on or about the following business date.

Rebalancing preferences may cause your account’s composition and performance to deviate from the model or investment strategy.

You may, at any time, instruct MSWM, through your Financial Advisor, to revise customized rebalancing preferences. Also, if you have elected Financial Advisor Discretion (as discussed below), your Financial Advisor may change your rebalancing preferences at any time.

If you do not choose to opt into the customized rebalancing preferences, your accounts will continue to undergo Default Rebalancing.

Rebalancing transactions may have tax consequences for a taxable account.

If you have elected to utilize Tax Management Services (described below), your tax management elections, specifically those identified in this Brochure Exhibit A, Item B, will prevail over any conflicting rebalancing activity and such rebalancing activity will not be implemented for as long as it is contrary to your selected tax management services.

### Type of Discretionary Authority

There are three types of discretionary authority for you to select for your account in the Program.

**Client Discretion:** In such instance, you have the authority and responsibility to select the Sub-Manager, Investment Products and Models to be applied to your account.

**Financial Advisor Discretion:** You may elect “Financial Advisor Discretion”, pursuant to which you grant your Financial Advisor discretion to (i) select and change Sub-Managers or Investment Products for you without your prior authorization; (ii) if you have the Custom Asset Allocation Model, define and adjust the Model asset allocation; (iii) for the Strategic Asset Allocation Model and the Tactical Asset Allocation Model, select an asset allocation (predefined by MSWM) for your account and change from Strategic Asset Allocation Model to Tactical Allocation Model or vice versa; and (iv) select between the Strategic Asset Allocation Model, Tactical Asset Allocation Model, Custom Asset Allocation Model, and Single SMA Strategy versions of the Program and to change from one version to another at any time. Within “Financial Advisor Discretion”, MSWM will exercise discretion primarily through your Financial Advisor. If, for any reason, and in the sole discretion of MSWM, your Financial Advisor is unable to render such services, temporarily or permanently, or terminates his or her employment with MSWM, MSWM will continue to render such services and will promptly assign another Financial Advisor to act in such capacity on a temporary or permanent basis. Where you have selected “Financial Advisor Discretion,” your Financial Advisor may elect to invest a portion of your account assets in a Firm Discretion Model portfolio (as described below) as a sub-strategy within your account whereby such portion of your assets will be managed by a portfolio management team within MSWM rather than your Financial Advisor.

**Firm Discretion:** You can instead elect “Firm Discretion”, pursuant to which you grant MSWM discretion to select and/or change Sub-Managers and/or Investment Products for you. If you elect Firm Discretion, you may not select a Custom Asset Allocation Model.

If you select Firm Discretion, you can select one of our Firm Discretion Model Portfolios. Such Model Portfolios may hold only one type of Investment Product, such as mutual funds, ETFs, or SMAs, or invest in any combination of such Investment Product types in the same account. In certain instances, a mutual funds-only model may include ETFs in order to represent a certain asset class where a mutual fund is not available and vice versa. In such case, the replacement ETF or mutual fund, as

applicable, will be referenced in the description of the investment strategy.

For certain institutional clients, we may provide access to Model Portfolios to be used by such institutional clients in the implementation of their own investment management programs or their own accounts. Additionally, we may provide access to Model Portfolios to be used by one or more of our affiliates, such as E\*TRADE Capital Management, LLC, in the implementation of their own investment advisory programs.

Under Firm Discretion, MSWM makes available certain “Pathway Fund Models” which invest in Morgan Stanley’s Pathway Funds mutual funds, which are affiliated with MSWM. One such Model is the Pathway Target Date Model, where the asset allocation changes as the time to the selected Target Date nears. A Pathway Fund Model may come in additional allocations including but not limited to Target Date, Strategic, Tactical or U.S. Focused.

#### Investing with Impact

“Investing with Impact” Investment Products seek to limit their underlying investments to socially responsible firms or enterprises (“Impact Investments”). The Sub-Manager of any SMA or the manager of any Fund in the account (not you, MSWM or any affiliate) will determine in its sole judgment whether an underlying investment is an Impact Investment. However, MSWM will determine in its reasonable judgment whether an Investment Product is eligible to be considered an Investing with Impact Investment Product. The performance of an Investing with Impact Investment Product will differ from that of a non-Investing with Impact Investment Product.

You can select from a number of Firm Discretion Investing with Impact Portfolios. If you have selected one of these options (“Investing with Impact Clients”), you will only be permitted to select the Strategic Asset Allocation Model (you will not be permitted to select the Tactical or Custom Asset Allocation Models). The asset allocation investment Models pre-defined by MSWM for Investing with Impact Clients will be different from the Models pre-defined by MSWM for non-Investing with Impact Clients. This is because there are no Investing with Impact Investment Products for some Asset Classes.

If you are invested in an Investing with Impact portfolio, (i) MSWM will restrict its selection of Investment Products to Investing with Impact Investment Products (in the event that an Investing with Impact Investment Product is removed from the Portfolio and no replacement Investment Product that qualifies as an Investing with Impact Investment Product is available, MSWM reserves the right to utilize a non-Investing with Impact Investment Product as a replacement); (ii) MSWM may select any type of Investing with Impact Investment Product (mutual fund, ETF or Separately Managed Account); and (iii) the sweep investment will not be an Impact Investment.

In addition, through our Value-Aligned Investment Solutions feature, you and your Financial Advisor can allocate account assets

to Investment Products and strategies that meet your social investment needs while restricting Investment Products that don’t meet those criteria.

#### Tax Management Services

You can elect tax management services (“Tax Management Services”) for your taxable account whereby MSWM shall seek to limit net realized capital gains when implementing equity transactions in your account. You can elect Tax Management Services for your account by informing your Financial Advisor. Please note that previously realized capital gains in an account during a current calendar year, in addition to gains in your other related accounts, can impact our ability to manage the account in accordance with your selected tax mandate. Tax Management Services are limited in scope and cannot be implemented on any separate account sleeve included in your Account that is managed by an Executing Sub-Manager

Tax Management Services may impact account rebalancing. As discussed above in *Rebalancing*, in the event of any conflict between rebalancing activity, the Tax Management Services selected by you will prevail and contrary rebalancing activity may not be implemented for as long as such rebalancing activity is contrary to your Tax Management Services elections. In such instance, your account may not receive the benefits, including gains and avoided losses, of certain recommended purchases and sales of securities.

The Tax Management Terms and Conditions, which are attached to this Brochure as Exhibit A, will govern Tax Management Services we provide to you in your account.

#### Tax Harvesting

Whether enrolled in Tax Management Services or not, you may request that MSWM seek to harvest tax losses or gains in your account. (This section covers the general approach to tax harvesting; clients enrolled in Tax Management Services should refer to Exhibit A for the specific tax harvesting process for enrolled accounts as the process may differ depending on the Strategy.)

You must make a request each time that you desire tax harvesting. Fixed income securities may not be eligible for tax harvesting but equity securities, mutual funds, and ETFs (including those that invest in fixed income securities) may be eligible. In effecting tax harvesting, MSWM will not consider dividends in your account or any assets outside of your account in which the tax harvesting occurs. By making such a request, you direct MSWM, upon receipt of such a tax harvesting request, to sell certain securities in order to realize capital gains or losses, and to reinvest the proceeds of this sale into broad-based ETFs, cash equivalents or other appropriate securities.

Upon receipt of your tax harvesting instruction, MSWM will seek to:

- (i) sell equity securities or ETF or mutual fund shares, as

applicable, in order to realize capital gains or losses in the account;

- (ii) reinvest the proceeds of such sale in one or more broad based ETFs, cash equivalents or other appropriate securities during any applicable wash sale period (“Replacement Security”); and
- (iii) after the expiration of any applicable wash sale period, sell such Replacement Security and invest the proceeds in the account in accordance with the applicable asset allocation.

You can request tax harvesting as outlined above (i) for specified securities, (ii) in a specified total amount, or (iii) in the maximum amount available. Securities in the account will be sold proportionately in an effort to achieve any requested losses/gains. If an ETF or other investment utilized, if any, increases in value during any applicable wash sale period, such increase can result in a short-term capital gain to you when sold upon expiration of the applicable wash sale period. We act only at your instruction. Tax harvesting will only be effected in the account you instruct us to, even if you have other investment advisory accounts with MSWM. The implementation of tax harvesting may impact the securities held in your account. As a result, your account’s asset allocation, holdings, and performance may vary significantly from that of client accounts invested in the same Strategy where tax harvesting has not been implemented.

There is no guarantee that tax harvesting requests received late in a calendar year will be completed before year-end. Tax harvesting can adversely impact investment performance. Neither MSWM nor any affiliate make any guarantee that tax harvesting will be successful or that it will achieve any particular tax result. Specifically, since MSWM only supports certain types of tax harvesting strategies, it cannot guarantee that a “wash sale” won’t occur. Moreover, there is no guarantee that the IRS will not view the Replacement Security as substantially identical to the sold security, thereby resulting in a “wash sale”. MSWM does not provide tax advice. You should consult with your own tax advisor regarding tax harvesting or any other tax issues.

#### ***MSWM’s Role as a Sub-Manager in the Select UMA Program***

MSWM acts as the discretionary Sub-Manager for certain investment strategies available in the Program, acting through any portfolio management team to whom the Consulting Group Investment Committee or the Investment Solutions Investment Committee, as applicable, has delegated any or all of its portfolio management functions. Such strategies are referred to in this Brochure as “Managed Advisory Portfolio Solutions” or “MAPS” Strategies and are included in the definition of MSWM Investment Products. A list of such MAPS Strategies and a description of each is included in Exhibit C of this Brochure.

MSWM also offers the “MAPS Third-Party Strategies”. If you select one of these strategies, a third-party registered investment adviser not affiliated with MSWM (the “Model Portfolio Provider”) delivers a model portfolio (the “Third-Party Model Portfolio”) to MSWM and MSWM, as investment adviser to you, serves as discretionary portfolio manager for this SMA Investment

Product. Although MSWM generally intends to follow the Third-Party Model Portfolios, as discretionary portfolio manager it has the discretion to deviate from the Third-Party Model Portfolios. The Third-Party Model Portfolios be comprised of some or all mutual funds and/or ETFs that are affiliated with the Model Portfolio Provider and pay fees and other compensation to the Model Portfolio Provider and its affiliates. In some cases, mutual funds and/or ETFs in a Third-Party Model Portfolio are managed by MSWM or our affiliates. In such instances, except for Retirement Accounts, you will pay an underlying mutual fund and/or ETF fee to MSWM or our affiliates that is separate and apart from the Morgan Stanley Advisory Fee.

#### ***MSWM’s Role To Implement the Portfolio in the Select UMA Program***

As Manager, MSWM provides the following portfolio implementation and coordination services (as applicable) with respect to your accounts invested in the Program:

- (i) implementing, consistent with our discretionary investment and trading authority, investment instructions furnished to MSWM by Sub-Managers with respect to the specific securities to be purchased, held, or sold for your accounts, and the account assets to be allocated to each such security;
- (ii) rebalancing your accounts; and
- (iii) implementing reasonable restrictions imposed by you.

#### **Account Opening**

To open an account in the Program, you must provide certain information to us, including but not limited to your investment objectives, financial goals, and risk tolerance. You must also enter into the MSWM Single Advisory Contract (the “Single Advisory Contract”). The Single Advisory Contract governs the terms of your existing and future investment advisory accounts and relationships with MSWM. MSWM has discontinued use of the Select UMA client agreement for opening new accounts (but some existing Select UMA accounts may have been opened using the Select UMA client agreement). The Select UMA client agreement and the Single Advisory Contract shall be collectively referred to as the “Account Agreement”

You will also be required to execute a brokerage account agreement. All the terms of the Account Agreement and the brokerage account agreement will set forth our mutual obligations regarding the Program and your account.

#### **Investment Restrictions**

You may request reasonable restrictions on the management of your account, such as that certain specified securities or certain categories of securities not be purchased for your account. This request can be made verbally or in writing, but MSWM may require that any such request (or any changes to the request) be in writing. MSWM will accept reasonable restrictions on specific common equity and fixed income securities, as well as on certain



categories of equity securities (e.g., tobacco companies). MSWM will determine in its reasonable judgment how to implement such restrictions, which specific securities fall within the restricted category, and may implement restrictions differently in accounts that have elected Tax Management Services (if applicable). In doing so, we may rely on outside sources (e.g., standard codes used in financial services and research provided by independent service providers).

In the event that a security or category of securities is restricted, the portion of the account that would have been invested in any restricted security or category of securities may be redistributed across the remaining allocation of your account's investment strategy or invested in cash, cash equivalents, or an ETF. As a result, your account's performance will deviate from that of the model or investment strategy.

The compliance of any investment with any investment restrictions shall be determined on the date of purchase only, based upon the price and characteristics of the investment on that purchase date compared to the value of the account as of the most recently preceding valuation date.

Although we will accept reasonable restrictions as described above, we will not have any obligation to manage your account in accordance with any investment guidelines, policy statements or other documents unless we specifically agree to do so in writing.

## **Fractional Shares**

On or about October 2022, a limited number of Program accounts will be eligible to invest in fractional shares. As of January 2023, all new Program accounts will be automatically enrolled in this feature; existing Program accounts will be automatically enrolled throughout 2023 after receiving reasonable, prior notice.

With fractional share investing, your account may be eligible to purchase fractional share positions of equity securities, closed-end funds, ETFs and other eligible securities in accordance with your account asset allocation. Fractional share investing is offered as an accommodation in Select UMA. MSWM is under no obligation to continue to facilitate, support or execute any fractional share transaction or custody of fractional shares in the future. The potential benefits of investing in fractional shares include, but are not limited to, achieving greater opportunity for portfolio diversification by allowing your account to hold more positions and asset classes within your portfolio which your account might not otherwise have been able to hold; participating in fractional dividend distribution; and lowering cash holdings. Clients holding fractional shares can see these portfolio positions reported in US dollars or shares. However, fractional shares are typically not recognized outside of Morgan Stanley and, therefore are illiquid, cannot be sold directly into the market and cannot be transferred via an automatic clearinghouse. There is no guarantee that there will be a market for fractional shares of a particular security and MSWM has not committed to, and is not obligated to, make a market in such securities.

Certain securities and investment strategies may be ineligible for fractional share investing, as determined by MSWM in its discretion. If certain previously eligible securities or investment strategies in your account become ineligible for fractional share investing, we will process a liquidation of such fractional share positions and will credit the proceeds to your account. Upon termination of your advisory account, your fractional share positions will remain in your account until the positions are fully liquidated. Fractional shares cannot be transferred to another brokerage firm. In order to transfer fractional share holdings to another brokerage firm, the fractional shares will need to be liquidated and the proceeds of such liquidation can then be transferred out.

In addition to the limited liquidity and transferability, there are other unique features, limitations, and risks that you should be aware of before engaging in fractional share investing:

*Order Types:* MSWM only accepts market and limit orders for fractional share orders of 1 share or greater; for orders less than 1 share, only market orders are accepted.

*Capacity & Order Execution:* fractional share transactions cannot be routed to an exchange or other market makers for execution. Therefore, the fractional share component of an order will need to be matched up with shares held in inventory by MSWM to make a whole share which can then be routed for execution. This means that MSWM will be trading alongside the fractional share trade to facilitate the order. In this case, the order will be routed out for execution in an agency capacity. MSWM will not be trading with these orders as principal. (See "Trading and Execution" below for more information on trading alongside).

For orders greater than 1 share, the fractional share portion of the trade will be treated in the same manner as the whole share portion of the trade (i.e., held vs. not held). For orders less than 1 share, the fractional share will be treated as held.

If a pre-market fractional share "sell" order is submitted and MSWM does not hold any shares in inventory, MSWM will be required to purchase one share in the market to be able to round the fractional share up to a whole share before the order can be sent for execution. In that case, the trade will not receive the opening auction price for these executions.

In the event of a trading halt, all trading, including fractional share transactions, will be halted until the halt is lifted and trading resumes.

*Additional Considerations for "Sell" Orders:* If a fractional share "sell" order is placed and MSWM does not hold any shares in inventory, MSWM will be required to purchase one share in the market to be able to round the fractional share up to a whole share before the order can be sent for execution. For example, for a "sell" order of 100.5 shares, MSWM would need to match up 0.5 shares from inventory with the order of 100.5 shares in order to be able to route out whole shares for execution. If MSWM does not have any shares in inventory, MSWM would go out into the

market and buy 1 share. It would then match up 0.5 shares (keeping the other 0.5 shares in inventory) with the 100.5 share order and route out a “sell” order of 101 to the market for execution. As such, there could be a delay in execution of such “sell” order as we obtain a share to match up with the fractional share trade in order to facilitate its execution.

*Dividends, Corporate Actions and Voting:* You are entitled to receive any dividends paid on your fractional share positions. The dividend payable in respect of your fractional share position will be an amount proportionate to your ownership interest. Fractional shares will be eligible to participate in both mandatory corporate actions (e.g., stock splits, mergers) as well as voluntary corporate actions (e.g., tender offers). However, you will not have voting rights for any of the fractional shares held in your account. You will only be permitted to vote in respect of your whole share positions.

For additional information about fractional share trading, please contact your Financial Advisor.

## **Trading and Execution Services**

MSWM or an Executing Sub-Manager will, consistent with either party’s respective discretionary investment and trading authority, effect transactions for the purchase or sale of securities and other investments in your account. MSWM or an Executing Sub-Manager, as applicable, may effect securities transactions for the account through MSWM and its affiliates, subject to legal requirements of “best execution”, your needs, and, if applicable, the requirements of ERISA and the rules and regulations thereunder.

MSWM or an Executing Sub-Manager has the authority to effect transactions through broker-dealers other than MSWM or its affiliates when MSWM or an Executing Sub-Manager reasonably believes that such other broker-dealer may effect such transactions at a price, including any mark-ups, mark-downs and/or other fees and charges, that is more favorable to your account than would be the case if transacted through MSWM or its affiliates. In addition, even if the price is not more favorable, for the selection of such broker-dealer, MSWM or an Executing Sub-Manager may consider all relevant factors, including execution capabilities, speed, efficiency, confidentiality, familiarity with potential purchasers or sellers, or any other relevant matters. MSWM refers to trades on which we are not the executing broker as “step out trades.” If MSWM or an Executing Sub-Manager trades with another firm, you may be assessed other trading related costs (mark-ups, mark-downs and/or other fees and charges) by the other broker-dealer. Those costs are in addition to your Program fees, as described in this Brochure, and 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. There are certain Executing Sub-Managers (including, but not limited to, Executing Sub-Managers offering municipal, corporate, and convertible fixed income strategies) that have historically directed most, if not all, their trades to

outside broker dealers. Transactions through any other broker-dealer would normally include additional trading related costs included in the net price for trades executed away from MSWM. These additional trading costs may increase your overall costs. For information about costs incurred, please see “Additional Fees” in Item 4.C below for details or contact your Financial Advisor.

Information provided by the Sub-Managers with respect to step out trades and their related costs is available at

[www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/sotresponse.pdf](http://www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/sotresponse.pdf).

For information about costs incurred or if the Sub-Manager you have selected or are considering is not listed or if step-out information is not available for a Sub-Manager, please contact your Financial Advisor.

Where an Executing Sub-Manager effects trades for an account in the Program, the Executing Sub-Manager (and not MSWM) has discretion over broker-dealer selection and execution and is responsible for meeting its best execution obligations to you, as well as related obligations as to the terms of any transaction (including price). Before selecting an Executing Sub-Manager, you should carefully review all material related to that Executing Sub-Manager, including any disclosure on whether the Executing Sub-Manager uses broker-dealers other than MSWM or its affiliates to effect any trades and any additional trading costs (brokerage commissions or other charges) associated with executing trades at such other broker-dealers.

Under certain circumstances, you, or if you have granted discretion to your Financial Advisor or the Firm, your Financial Advisor may request trading to be temporarily halted in your account for a maximum period of ten (10) days. During this period, your account will not be traded but you will continue to incur applicable fees and expenses, including the Morgan Stanley Advisory Fee and Sub-Manager Fee, as applicable. Once this ten-day period expires, your account may be rebalanced to align it with your selected investment strategy and normal account activity will resume. Please consult your Financial Advisor for more details.

We or your Sub-Manager may aggregate orders for the same securities with other clients, including, with respect to MSWM, our own accounts, and accounts of our employees or related persons.

In such cases, each account in the aggregated transaction is charged or credited with the average price per unit and, where applicable, any additional fees.

The authorization to aggregate trades also applies to the purchase and sale of fractional shares of eligible securities (see above, “Fractional Shares”, for further information on fractional share trading eligibility and risk characteristics). Fractional shares do not trade in the market and therefore require MSWM to engage in a practice called “trading along-side.” MSWM adds a fractional

share to aggregated buy or sell orders so that the order is rounded up to whole shares, and the additional fractional share is purchased or sold by MSWM. All clients that are part of the aggregated order, including MSWM, receive the average price for that block trade order.

As part of this fractional share trading along-side process, MSWM maintains a facilitation account that holds a small number of shares of eligible securities in inventory for sell orders and keeps cash on hand for buy orders. Due to a variety of factors—such as the number of trades executed, allocating fractional shares to multiple clients at one time, and market price volatility—MSWM could accrue a net profit or loss in its fractional share facilitation account.

You can obtain further details regarding the trading along-side process by contacting your Financial Advisor.

### **Trade Confirmations, Account Statements and Performance Reviews**

Unless you have appointed another custodian, MSWM acts as the custodian of the assets in your account and provides you with written confirmation following each securities transaction in your account and an account statement at least quarterly. You can waive the receipt of trade confirmations after the completion of each trade, for certain types of securities, in favor of alternative methods of communication, where available. Even if you have done so, we may deliver trade confirmations after the completion of each trade and, where appropriate, you may also receive mutual fund prospectuses.

We will provide periodic reports with respect to the performance in your account. These reports show how your account investments have performed, both on an absolute basis and on a relative basis compared to recognized indices (such as Standard & Poor's indices). You can access these reports at any time through MSWM's online account services site, Morgan Stanley Online at: <https://www.morganstanleyclientserv.com>, under "Account Documents". If, however, you would like to receive these reports by mail, please call 1-888-454-3965 or contact your Financial Advisor. We may also provide copies of trade confirmation or account statements for your account to your Sub-Manager(s), if requested or if required by law, rule, or regulation.

### **Risks**

All trading in your account is at your risk. The value of the assets held in an account is subject to a variety of factors, such as the liquidity and volatility of the securities markets. Investment performance of any kind is not guaranteed, and MSWM's, a Financial Advisor's or a Sub-Manager's past performance does not predict future performance. In addition, certain investment strategies that mutual funds, ETFs or Sub-Managers may use in the Program have specific risks, including those associated with investments in common stock, fixed income securities, American Depositary Receipts, mutual funds, ETFs, foreign securities, and the investments described below, among others. You should

consult with your Financial Advisor regarding the specific risks associated with the investments in your account. Please review any Sub-Manager's ADV Brochure for a description of the material risks associated with any strategy you may have selected. You can obtain your Sub-Manager's ADV Brochure at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV) or by asking your Financial Advisor.

***Risks Relating to ETFs.*** There may be a lack of liquidity in certain ETFs which can lead to a large difference between the bid-ask prices (increasing the cost to you when you buy or sell the ETF). A lack of liquidity can cause an ETF to trade at a large premium or discount to its net asset value. Additionally, an ETF may suspend issuing new shares and this could result in an adverse difference between the ETF's publicly available share price and the actual value of its underlying investment holdings. At times when underlying holdings are traded less frequently, or not at all, an ETF's returns also may diverge from the benchmark it is designed to track.

***Risks Relating to Exchange Traded Notes.*** Risks of investing in exchange traded notes ("ETNs") include, among others, index or benchmark complexity, price volatility, market risk associated with the index or benchmark, uncertain principal repayment based on the issuing financial institution and potential illiquidity. Please ask your Financial Advisor for the ETN prospectus for a description of the specific index or benchmark to which its performance is linked as well as a description of the risks of investing in the ETN and any of the non-traditional or complex investment strategies that the ETN follows or seeks to replicate.

***Risks Relating to Money Market Funds.*** An investment in a money market fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation ("FDIC") or any other government agency.

You could lose money in money market funds. Although many money market funds classified as government funds (i.e., money market funds that invest 99.5% of total assets in cash and/or securities backed by the U.S. government) and retail funds (i.e., money market funds open to natural person investors only) seek to maintain a stable \$1.00 per share, they cannot guarantee they will do so. The price of other money market funds will fluctuate and when you sell shares, they could be worth more or less than originally paid. Money market funds may impose a fee upon sale or temporarily suspend sales if liquidity falls below required minimums. During suspensions, shares would not be available for purchases, withdrawals, check writing or ATM debits.

Moreover, in some circumstances, money market funds may cease operations when the value of a fund drops below \$1.00 per share. In that event, the fund's holdings may be liquidated and distributed to the fund's shareholders. This liquidation process can be prolonged and last for months. During this time, these funds would not be available to you to support purchases, withdrawals and, if applicable, check writing or ATM debits from your account.

***Risks Relating to Master Limited Partnerships.*** Master Limited Partnerships (“MLPs”) are limited partnerships or limited liability companies whose interests (limited partnership or limited liability company units) are generally traded on securities exchanges like shares of common stock. Investments in MLPs entail different risks, including tax risks, than is the case for other types of investments.

Currently, most MLPs operate in the energy, natural resources, or real estate sectors. Investments in such MLP interests are subject to the risks generally applicable to companies in these sectors (including commodity pricing risk, supply and demand risk, depletion risk and exploration risk). Depending on the ownership vehicle, MLP interests are subject to varying tax treatment. Please see “Tax and Legal Considerations” below and any applicable mutual fund or ETF prospectus, for more information. You may obtain a mutual fund or ETF prospectus by asking your Financial Advisor.

***Risks Relating to Investment in a Concentrated Number of Securities or to Investment in Only One Industry Sector (or in Only a Few Sectors).*** When strategies invest in a concentrated number of securities, a decline in the value of these securities would cause your overall account value to decline to a greater degree than that of a less concentrated portfolio. Strategies that invest a large percentage of assets in only one industry sector (or in only a few sectors) are more vulnerable to price fluctuation than strategies that diversify among a broad range of sectors. Industry concentration is a particular risk for MLP strategies, as many MLPs are issued by companies engaged in the energy and natural resources business.

***Risks Relating to Mutual Funds and ETFs that Primarily Invest in Master Limited Partnerships.*** In addition to the risks outlined above relating to Master Limited Partnerships, mutual funds and ETFs that primarily invest in MLPs generally accrue deferred tax liability (“MLP Fund”). An investment in a MLP Fund does not offer the same beneficial partnership tax treatment as a direct investment in an MLP. The fund’s deferred tax liability (if any) is reflected each day in the fund’s net asset value (“NAV”). The deferred tax liability estimate could vary dramatically from the MLP Fund’s actual tax liability or benefit. Upon the sale of an MLP security, the MLP Fund may be liable for previously deferred taxes. As a result, the determination of the MLP Fund’s actual tax liability could result in increases or decreases in the MLP Fund’s NAV per share, which could be material. Additionally, the fund’s total annual operating expenses may be significantly higher than those of funds that do not primarily invest in Master Limited Partnerships. Please ask your Financial Advisor for the fund prospectus for additional information.

***MLP Fund Dividends and Distributions.*** A portion of distributions from MLP Funds to investors typically will consist of return of capital and not of current income for U.S. federal income tax purposes. The portion of any distribution treated as return of capital will not be subject to tax currently but will result in a corresponding reduction in the investor’s tax basis in the MLP

Fund’s shares. Such a reduction in tax basis will result in larger taxable gains and/or lower tax losses on a subsequent sale of the MLP Fund Shares.

***MLP Fund Non-Diversification and Industry Concentration.*** MLP Funds are typically non-diversified. Therefore, MLP Funds can be more susceptible to losses due to adverse developments affecting any single issuer held in their portfolios. In addition, many MLP Funds’ investments are concentrated in the energy infrastructure industry with an emphasis on securities issued by publicly traded MLPs, which may increase volatility.

***MLP Fund Liquidity.*** Certain MLP securities may trade less frequently than those of larger companies due to their smaller capitalizations. Additionally, it can be more difficult for MLP Funds to buy and sell significant amounts of such securities without an unfavorable impact on prevailing market prices. A MLP Fund’s investment in securities that are less actively traded over time experience decreased trading volume may restrict its ability to take advantage of other market opportunities or to dispose of securities at favorable prices. Contact your Financial Advisor for the fund prospectus for additional information.

***Risks Relating to Mutual Funds and ETFs that Pursue Complex or Alternative Investment Strategies or Returns.*** These mutual funds and ETFs can employ non-traditional or complex investment strategies and/or derivatives (all of which are described in greater detail below) for both hedging and more speculative purposes such as short selling, leverage, derivatives, and options, which can increase volatility and the risk of investment loss. Certain of these funds are sometimes referred to as “liquid alternatives.” These funds often have higher costs and expenses, with certain of these funds charging fees that fluctuate with their performance. Please refer to the applicable mutual fund or ETF’s prospectus for additional information on expenses and descriptions of the specific non-traditional and complex strategies utilized by such fund. Alternative investment strategies are not appropriate for all investors.

While mutual funds and ETFs may at times utilize nontraditional investment options and strategies, they have different investment characteristics than unregistered privately offered alternative investments. Because of regulatory limitations, mutual funds and ETFs that seek alternative-like investment exposure must utilize a more limited spectrum of investments. As a result, investment returns and portfolio characteristics of alternative mutual funds and ETFs may materially vary from those of privately offered alternative investments pursuing similar investment objectives. They are also more likely to have relatively higher correlation with traditional market returns than privately offered alternative investments.

Non-traditional investment options and strategies are often employed by a portfolio manager to further a mutual fund’s or ETFs investment objective and to help offset market risks. However, these features are complex, making it more difficult to understand the mutual fund’s or ETF’s essential characteristics

and risks, and how it will perform in different market environments and over various periods of time. They can also expose the mutual fund or ETF to increased volatility and unanticipated risks particularly when used in complex combinations and/or accompanied by the use of borrowing or “leverage”. Examples of non-traditional and complex investment options and strategies include the following. The below list is not exhaustive.

**Derivatives.** A risk of a fund’s use of derivatives is that the fluctuations in their values may not correlate perfectly with the overall securities markets. Derivatives are also subject to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation. In addition, some derivatives are more sensitive to interest rate changes and market price fluctuations than other securities. The possible lack of a liquid secondary market for derivatives and the resulting inability of a fund to sell or otherwise close a derivatives position could expose the fund to losses and could make derivatives more difficult for the fund to value accurately.

When a fund invests in a derivative for speculative purposes, the fund will be fully exposed to the risks of loss of that derivative, which could sometimes be greater than the derivative’s cost. A fund could also suffer losses related to its derivative’s positions as a result of unanticipated market movements, which losses are potentially unlimited. Commonly used derivative instruments and techniques and the risks associated therewith, include:

**Futures Contracts.** The prices of futures are affected by many factors, including changes in overall market movements, speculation, real or perceived inflationary trends, index volatility, changes in interest rates or currency exchange rates and political events. This can result in lower total returns, and the potential loss can exceed a fund’s initial investment.

**Options.** Like futures, prices of options can be highly volatile, and they are impacted by many of the same factors. Using options can lower a fund’s total returns.

**Swaps.** Most swap contracts are purchased over-the-counter (“OTC”). OTC swaps are generally subject to credit risk and/or the risk of default or non-performance by the counterparty. Swaps can result in losses if interest rate or foreign currency exchange rates or credit quality changes are not correctly anticipated by a counterparty or if the reference index, security, or investments do not perform as expected.

Total Return Swaps (“TRS”) involve the risk that the party with whom the fund has entered into the swap will default on its obligation to pay the fund and the risk that the fund will not be able to meet its obligations to pay the other party to the agreement. The income tax treatment of such swap agreements is unsettled and can be subject to future legislation, regulation or administrative pronouncements issued by the IRS.

**Structured Investments.** A fund that invests in structured investments bear the risks of the underlying investment as well as

market risk and are subject to issuer or counterparty risk because the fund is relying on the creditworthiness of such issuer or counterparty and has no rights with respect to the issuer of the underlying investment.

**Short Sales.** Short sales are a form of investment leverage and the amount of the fund's potential loss is theoretically unlimited. Short sales are subject to other risks including the risk that the third party to the short sale may fail to honor its contract terms, causing a loss to the fund.

**Liquidity and Counterparty Risk.** Certain investments may be difficult to purchase or sell due to thinly traded markets or other factors such as a relatively large position size. In addition, transactions occurring outside of exchange clearing houses increase the risk that the direct counterparties will not perform their obligations under the transaction and losses will be sustained. Illiquid securities can reduce the returns of the fund because it may be unable to sell the illiquid securities or unwind derivative positions at favorable prices. Fund returns can also be adversely impacted where the fund has an obligation to purchase illiquid securities. Moreover, less liquid securities are more susceptible than other securities to market value declines. Funds will have greater liquidity risks to the extent their principal investment strategies involve foreign (non-U.S.) securities, derivatives, or securities with substantial market and/or credit risk.

**Risks Relating to Differing Classes of Securities.** Different classes of securities offer different rights to a securities holder as creditor if the issuer files for bankruptcy or reorganization. For example, bondholders’ rights generally are more favorable than shareholders’ rights in a bankruptcy or reorganization.

**Risks Relating to Mutual Funds that Invest in Floating Rate Loans.** Certain mutual funds invest in floating rate loans. Floating rate funds fluctuate in value and are subject to market risk. More information on the investment risks can be found below and in the fund’s prospectus.

**Credit/Default Risk.** Floating loan rate values can fall if a company’s credit rating declines or it defaults on its loan repayment obligations. Since most floating rate loans are made to corporations with below-investment grade credit ratings, they are subject to a greater risk of default on interest and principal payments than higher-quality investments.

**Interest Rate Risk.** For floating rate loans, interest rates and income are variable, and their prices are less sensitive to interest rate changes than fixed income bonds. However, in falling interest rate environments floating rate loans can underperform bonds since floating rate loans adjust to pay less income making them less desirable to investors than bonds that pay a fixed rate.

**Liquidity Risk.** Floating rate loans are generally subject to restrictions on resale and may trade infrequently in the secondary market. Illiquid loans may reduce the returns of the fund because it may be unable to sell the loans at favorable prices.



Moreover, less liquid holdings are more susceptible than other securities to market value declines.

*Fluctuation of NAV.* Because the prices of floating-rate loans can change, the share price of mutual funds that invest in the loans will fluctuate with market conditions.

***Risks Relating to Variable Rate Demand Notes (VRDNs).*** VRDNs are subject to a variety of risks, including but not limited to: (1) Renewal Risk: The risk of the inability to obtain an appropriate liquidity bank facility at an acceptable price to replace a facility upon termination or expiration of the contract period; (2) Liquidity Risk: The risk that in the event of a failed remarketing, the bank that has agreed to provide the letter of credit fails to honor its obligation to support the VRDNs; and (3) Default Risk: VRDNs typically are not secured by the assets of the issuer or the bank but are subject to the letter of credit provider honoring its obligations. However, repayment of principal and payment of interest ultimately is dependent upon the issuer. For other risks relating to the particular strategy you hold in your account, please see your Sub-Manager's ADV Brochure. The current version of your Sub-Manager's ADV Brochure is online at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV), or you can ask your Financial Advisor for a copy.

***Risks Relating to Contingent Convertible Bonds ("CoCos").*** CoCos are issued primarily by non-U.S. financial companies and have complex features and unique risk considerations that differentiate them from traditional convertible, preferred or debt securities. Depending upon the terms of the particular issue, upon the occurrence of certain triggering events the securities can be mandatorily converted into common equity of the issuer (at either a predetermined fixed rate or variable rate), or the principal of the securities can be temporarily or permanently written down. As a result, investors can lose all or part of their principal investment. The triggering events will be described in the offering documents for each particular issue. However, they generally include the issuer failing to maintain a minimum capital ratio—a subjective determination by a regulator—that triggers the conversion or the write-down; and/or there can be other circumstances adverse to the issuer. In addition, market value will be affected by many unpredictable factors, including but not limited to the market value of the issuer's common equity, the issuer's creditworthiness and capital ratios, any indication that the securities are trending toward a trigger event, supply and demand for the securities, and events that affect the issuer or the financial markets generally. There may be no active secondary market for the securities, and there is no guarantee that one will develop. Payment of interest or dividends may be at the sole discretion of the issuer, including prior to the occurrence of any trigger event. In most cases, the issuer is under no obligation to accrue or pay skipped payments (i.e., payments may be noncumulative). Thus, the dividend or interest payments may be deferred or cancelled at the issuer's discretion or upon the occurrence of certain events. The issuer may have the right to substitute or vary the terms of the securities in certain instances. The issuer may have the right, but not the obligation, to redeem all

or part of the securities in its sole discretion upon the occurrence of certain events.

***Risks Relating to Structured Investments in Investment Products in Select UMA.*** Structured investments typically combine a debt security or certificate of deposit (CD) with exposure to other underlying asset classes (such as equities, commodities, currencies, or interest rates) to create a way for investors to express a market view (bullish, bearish, or market neutral), complement an investment objective (for example, capital appreciation, income, aggressive income, or speculation), hedge an existing position or gain exposure to a variety of underlying asset classes. A structured note is typically a debt security issued by a financial institution; its return is linked to the performance of an underlying asset or assets, such as equity indexes, a single equity, a basket of equities, interest rates, commodities or foreign currencies. Structured notes comprise both a debt component and a performance-based derivative component linked to the underlying asset class(es).

Investing in structured investments is typically more expensive than other investment options offered in your account. In addition to the applicable fees described under "Fees" below, the original issue price of the structured investment includes costs associated with issuing, structuring, and hedging the securities, which are borne by you. In addition, with respect to the debt component of the structured investment, the rate the issuer of a structured investment is willing to pay is likely to be lower than the rate implied by its secondary market credit spreads. The inclusion of such costs in the original issue price and the lower rate the issuer is willing to pay make the economic terms of structured investments less favorable to you than they otherwise would be and result in an estimated value on the pricing date that is less than the original issue price.

Certain Investment Products in the Program that invest in structured investments may be affiliated with MSWM. MSWM and our affiliates will receive more aggregate compensation when your account is invested in an affiliated Investment Product. Thus, MSWM and your Financial Advisor have a conflict of interest when recommending affiliated Investment Products or, if you have selected Financial Advisor Discretion or Firm Discretion, investing in such affiliated Investment Products on a discretionary basis. *Please see Item 6B, Other Conflicts, Affiliated Investment Products.*

Structured investments are complex and involve risks not associated with an investment in ordinary debt securities. Structured investments have a wide variety of structures and may be linked to a wide variety of underliers, each of which will have its own unique set of risks and considerations. For example, some underliers are highly volatile and have a significantly higher probability of steep losses or may be more complex than others. All payouts will depend on the structure and will also be contingent on the performance of the underlier. The terms may limit the maximum payment at maturity or the extent to which the return reflects the performance of the underlier. Depending on the terms, a structured investment may result in a loss of some or all

of your principal. Even if you receive the principal amount at maturity, the return on your investment may be less than the amount that would be paid on an ordinary debt security. Unlike ordinary debt securities, structured investments usually do not pay interest. For structured investments that do pay interest, any payment of interest is typically dependent on the performance of the underlier and, as a result, you may receive no interest for the entire term of the investment.

Investing in a structured investment is not equivalent to investing in the underlier or its components. All payments on structured investments are dependent on the issuer's (and the guarantor's, if applicable) ability to pay all amounts due.

There may be little or no secondary market for a particular structured investment. Generally, the prices, if any, at which dealers may be willing to purchase structured investments in secondary market transactions will likely be significantly lower than the original issue price, because secondary market prices will exclude the issuing, selling, structuring and hedging-related costs that are included in the original issue price and borne by you and because such prices will reflect the issuer's secondary market credit spreads and the bid-offer spread that any dealer would charge, as well as other factors. The secondary market price may be influenced by a variety of unpredictable factors, including but not limited to: (i) changes in the value of the underlier, (ii) volatility of the underlier, (iii) the dividend rate on the underlier, if any, (iv) changes in interest rates, (v) any actual or anticipated changes in the issuer's (and the guarantor's, if applicable) credit ratings or credit spreads and (vi) the time remaining to maturity. Generally, the longer the time remaining to maturity, the more the market price will be affected by these factors.

The issuer of a structured investment and its affiliates may play a variety of roles in connection with the structured investment, including acting as calculation agent, hedging the issuer's obligations under the structured investment, and publishing research reports with respect to movements in the underlier. Certain determinations made by such affiliates may require them to exercise discretion and make subjective judgments and may cause the economic interests of the issuer to diverge from your economic interests. In acting in any of these capacities, the issuer and its affiliates are not obliged to take your interests into account.

You should consult with your investment, legal, tax, accounting, and other advisers in connection with any investment. For more information on the common risks and conflicts of interest related to Structured Investments, log in to Morgan Stanley Online and go to [www.morganstanley.com/structuredproductsrisksandconflicts](http://www.morganstanley.com/structuredproductsrisksandconflicts).

## **Tax and Legal Considerations**

Replacing a Sub-Manager or other Investment Product may result in sales of securities from your account and subject you to additional income tax obligations. Consult your independent tax or legal advisor with respect to the services described in this Brochure, as MSWM and its affiliates do not provide tax or legal advice.

Certain Sub-Managers may include Master Limited Partnerships (MLPs) in their Model Portfolios. Investment in MLPs entails different risks, including tax risks, than other types of investments. Investors in MLPs hold "units" of the MLP (as opposed to a share of corporate stock) and are technically partners in the MLP. Holders of MLP units are also exposed to the risk that they will be required to repay amounts to the MLP that are wrongfully distributed to them. Almost all MLPs have chosen to qualify for partnership tax treatment. Partnerships do not pay U.S. federal income tax at the partnership level. Rather, each partner of a partnership, in computing its U.S. federal income tax liability, must include its allocable share of the partnership's income, gains, losses, deductions, expenses and credits. A change in current tax law, or a change in the business of a given MLP, could result in an MLP being treated as a corporation for U.S. federal income tax purposes, which would result in such MLP being required to pay U.S. federal income tax on its taxable income. The classification of an MLP as a corporation for U.S. federal income tax purposes would have the effect of reducing the amount of cash available for distribution by the MLP and could cause any such distributions received by an investor to be taxed as dividend income. If you have any questions about the tax aspects of investing into an MLP, please discuss with your tax advisor.

Investors in MLP portfolios will receive a Schedule K-1 for each MLP in the portfolio, so they will likely receive numerous Schedule K-1s. Investors will need to file each Schedule K-1 with their federal tax return. Also, investors in MLP portfolios may be required to file state income tax returns in states where the MLPs in the portfolio operate. Since some Schedule K-1s may not be provided until after the due date for the federal or state tax return, investors in MLP portfolios may need to obtain an extension for filing their federal or state tax returns. Please discuss with your tax advisor how an investment in MLPs will affect your tax return.

Tax laws impacting MLPs may change, and this could impact any tax benefits that may be available through investment in an MLP portfolio.

For the reasons outlined below, where an otherwise tax-exempt account (such as an IRA, qualified retirement plan, charitable organization, or other tax exempt or deferred account) is invested in a pass-through entity (such as an MLP), the income from such entity may be subject to taxation, and additional tax filings may be required. Further, the tax advantages associated with these investments are generally not realized when held in a tax-deferred or tax-exempt account. Please consult your own tax advisor and consider any potential tax liability that may result from such an investment in an otherwise tax-exempt account.

Earnings generated inside most qualified retirement plans, including defined benefit pension plans, defined contribution plans and IRAs, are generally exempt from federal income taxes, however, certain investments made by Retirement Accounts may generate taxable income referred to as "unrelated business taxable income" ("UBTI") that is subject to taxation at the same rates as

trusts. Generally, passive types of income (when not financed with debt) such as dividends, interest, annuities, royalties, most rents from real property, and gains from the sale, exchange, or other disposition of property (other than inventory or property held for sale in the ordinary course of a trade or business) do not generate UBTI. Active income associated with operating a trade or business, however, may constitute UBTI to an otherwise tax-exempt investor such as Retirement Accounts. In addition, UBTI may also be received as part of an investor's allocable share of active income generated by a passthrough entity, such as partnerships (including limited partnerships and MLPs), certain trusts, subchapter S corporations, and limited liability companies that are treated as disregarded entities, partnerships, or subchapter S corporations for federal income tax purposes.

If more than \$1,000 of unrelated trade or business gross income is generated in a tax year, the Retirement Account's custodian or fiduciary (on behalf of the Retirement Account) must file an Exempt Organization Business Income Tax Return, Form 990-T. With respect to an individual investing through an IRA, in calculating the threshold amount and the Retirement Account's UBTI for the year, each IRA is generally treated as a separate taxpayer, even if the same individual is the holder of multiple IRAs.

The passive activity loss limitation rules also apply for purposes of calculating a Retirement Account's UBTI, potentially limiting the amount of losses that can be used to offset the Retirement Account's income from an unrelated trade or business each year. It should be noted that these rules are applied to publicly traded partnerships, such as MLPs, on an entity-by-entity basis, meaning that the passive activity losses generated by one MLP generally can only be used to offset the passive activity income (including unrelated traded or business income) from the same MLP. The passive activity losses generated by one MLP generally cannot be used to offset income from another MLP (or any other source). The disallowed losses are suspended and carried forward to be used in future years to offset income generated by that same MLP. However, once the Retirement Account disposes of its entire interest in the MLP to an unrelated party, the suspended losses can generally be used to offset any unrelated trade or business income generated inside the Retirement Account (including recapture income generated on the sale of the MLP interest, as well as income generated by other MLPs).

In calculating the tax, trust tax rates are applied to the Retirement Account's UBTI (i.e., unrelated trade or business gross income less any applicable deductions, including the \$1,000 specific deduction). In addition to the passive loss limitation rules noted above, other limitations may apply to the Retirement Account's potential tax deductions. In order to file Form 990-T, the Retirement Account is required to obtain an Employer Identification Number ("EIN") because the plan (and not the plan owner or fiduciary) owes the tax. State and local income taxes may also apply. Accordingly, Retirement Accounts (and their fiduciaries) should consult their tax and legal advisors regarding

the federal, state, and local income tax implications of their investments.

Similar rules apply to other tax-exempt organizations (e.g., charitable and religious organizations), with some differences. For instance, the UBTI of most other tax-exempt organizations is taxable at corporate rates, unless the organization is one that would be taxed as a trust if it were not tax-exempt in which case its UBTI is taxable at trust rates. Also, the passive activity loss limitation rules do not apply to all tax-exempt organizations. Tax-exempt investors should consult their tax and legal advisors regarding the federal, state, and local income tax implications of their investments.

*See General Description of the Select UMA Program in this Item 4.A above, for information regarding the "Tax Management" election in the Select UMA program.*

## **Fees**

You pay an asset-based fee to MSWM ("Morgan Stanley Advisory Fee") for our investment advisory services, portfolio implementation services, custody of account assets with MSWM, trade execution with or through MSWM or its affiliates, performance reporting as well as compensation to your Financial Advisor. This is referred to as a wrap fee. The maximum annual asset-based Morgan Stanley Advisory Fee is 2.0%.

If your account is invested in an SMA as an Investment Product, you will also pay a separate annual asset-based fee that covers the services provided by a Sub-Manager ("Sub-Manager Fee"). The Sub-Manager Fee will vary depending on the Sub-Manager and the applicable strategy and generally ranges from 0.20% to 0.75%. There is no Sub-Manager Fee for MAPS Strategies where MSWM is the Sub-Manager.

The Morgan Stanley Advisory Fee and the Sub-Manager Fee, as applicable, are together referred to here as the "Fee".

Certain mutual funds, ETFs, and closed-end funds managed or sub-advised by our affiliates, including but not limited to MSIM and EVM and its investment affiliates, may be included in your account. To the extent that such funds are offered to and purchased by a Retirement Account, the Morgan Stanley Advisory Fee on any such Retirement Account will be reduced or adjusted by the amount of the fund's management fee, shareholder servicing fee and distribution fee that we, or our affiliates, receive in connection with such Retirement Account's investment in such affiliated fund.

If your account is a Retirement Account invested in an SMA Investment Product managed by an affiliate, including but not limited to MSIM and EVM and its investment affiliates, MSWM shall offset or adjust any advisory fee such affiliated manager receives or a portion of the Morgan Stanley Advisory Fee will be waived.

**Platform Fee.** In addition to the Fee, each account that is eligible to purchase certain Investment Products, such as SMAs, mutual



funds or ETFs, is charged a Platform Fee, regardless of whether a specific account is invested in such Investment Product at any time. The Platform Fee is in addition to the Fee and is applicable to all accounts in the Program, except for Pathway strategies within the Program, Retirement Accounts covered by Title I of ERISA, 529 Plans, and accounts we classify as Institutional. The Platform Fee is a 0.03030% annual asset-based fee, charged quarterly. The Platform Fee is paid quarterly in arrears based on the closing market value of the assets in the account on the last business day of the billing quarter and will become due within fifteen (15) business days after the end of the billing quarter.

***Offset to the Platform Fee.*** We collect revenue from certain Investment Product providers which compensates MSWM for administering the platform ("Offset Revenue"). For Funds, this generally takes the form of support fees and mutual fund administrative services fees, as discussed below. For SMAs, we receive revenue from Sub-Managers who elect to purchase application support services and data analytics from us. We apply such revenue to accounts subject to the Platform Fee as an offset to the Platform Fee and/or to the Fee, regardless of whether any such account is invested in an eligible Investment Product. This Offset Revenue will be allocated proportionately among accounts subject to the Platform Fee based on the closing market value of all assets in such account on the last day of the billing quarter, regardless of the value of revenue-providing Investment Product held in that account. The amount of the offset will be applied against the Platform Fee and/or the Fee generally within fifteen (15) business days after the end of the previous billing quarter. The amount of the offset will vary each billing quarter. While we generally expect the offset to equal or exceed the Platform Fee, changing circumstances, such as market conditions, a shift in investments away from investment products that provide revenue, or significant reallocation of investments to those that pay a lower amount of revenue, could reduce the offset to an amount less than the amount of the Platform Fee. An account that is not subject to a Platform Fee during a billing quarter will not be entitled to the offset, as described herein. Additionally, revenue is not collected for accounts that are not subject to the Platform Fee, including accounts in Pathway strategies, Retirement Accounts covered by Title I of ERISA, 529 Plans, and accounts we classify as Institutional. In the event we receive revenue with respect to a money market mutual fund, such revenue will be rebated directly to you if you are holding the money market fund position and will not be included in the above-described offset.

***Additions and Withdrawals; Refund on Account Termination.*** You may make additions into the account at any time. Additions may be in cash, Funds, stocks, or bonds; provided that we reserve the right to decline to accept particular securities into the account or impose a waiting period before certain securities may be deposited.

We may accept other types of securities for deposit at our discretion. You understand that if Funds are transferred or journaled into the account, you will not recover the front-end sales charges previously paid and/or may be subject to a contingent

deferred sales charge or a redemption or other fee based on the length of time that you have held those securities.

We may require you to provide up to six (6) business days prior verbal or written notice to your Financial Advisor of withdrawal of assets from the account, subject to the usual and customary securities settlement procedures. No Fee adjustment will be made during any billing period for withdrawals or deposits. No Fee adjustment will be made during any billing period for appreciation or depreciation in the value of Account assets during that period.

If the account is terminated by either party, you will be entitled to a prorated refund of any pre-paid Fee based on the number of days remaining in the billing month after the date upon which notice of termination is effective.

***Valuation of Account Assets.*** In computing the value of assets in the account, securities (other than open-end mutual funds as described below) traded on any national securities exchange or national market system shall be valued, as of the valuation date, at the closing price and/or mean bid and ask prices of the last recorded transaction on the principal market on which they are traded. Account assets invested in registered open-end mutual funds will be valued based on the mutual fund's net asset value calculated as of the close of business on the valuation date, per the terms of the applicable fund prospectus. We will value any other securities or investments in the account in a manner we determine in good faith to reflect fair market value. Any such valuation should not be considered a guarantee of any kind whatsoever with respect to the value of the assets in the account.

In valuing assets, we use information provided by recognized independent quotation and valuation services. We believe this information to be reliable but do not verify the accuracy of the information provided by these services. If any information provided by these services is unavailable or is believed to be unreliable, we will value any securities and investments in the account in a manner we determine in good faith to reflect fair market value. For certain securities or investments, including collateralized loan obligations, we may rely upon our affiliate, MS&Co., to provide a valuation.

***Fees are Negotiable.*** The Morgan Stanley Advisory Fee is negotiable based on factors including the type and size of the account and the range of services provided by the Financial Advisor.

The Fee for your account may be higher or lower than the fees that we would charge if you had purchased the services covered by the fees separately; may be higher or lower than the fees that we charge other clients, depending on, among other things, the extent of services provided to those clients and the cost of such services; and may be higher or lower than the cost of similar services offered through other financial firms.

***When Fees are Payable.*** The Fee is payable as described in the Account Agreement and in this Brochure.

For your account custodied at Morgan Stanley (“Morgan Stanley Custodied Account”), the Inception Date occurs when Morgan Stanley approves your account for trading and your account holds sufficient funds or securities. The initial Fee payment will generally cover the period from the Inception Date through the last day of the applicable billing period and shall be prorated accordingly. However, in certain instances where the Inception Date occurs close to the end of a billing period, the initial Fee shall cover the period from the Inception Date through the last day of the next full billing period and is prorated accordingly.

The initial Fee shall be based on the market value of the assets in your Morgan Stanley Custodied Account on or about the Inception Date. Thereafter, for your Morgan Stanley Custodied Account, the Fee shall be charged monthly in advance based on the account’s market value on the last business day of the previous billing month and shall become due promptly.

Where you have selected to custody your assets with a third-party custodian (“Externally Custodied Account”), the Inception Date occurs when Morgan Stanley approves your account for trading. The initial Fee payment will generally cover the period from the Inception Date through the last day of the applicable billing period and shall be prorated accordingly. However, in certain instances where the Inception Date occurs close to the end of a billing period, the initial Fee shall cover the period from the Inception Date through the last day of the next full billing period and is prorated accordingly. The initial Fee shall be based on the market value of the assets in your Externally Custodied Account, on or about the Inception Date, as reported to us by your third-party custodian. Thereafter, for your Externally Custodied Account, the Fee shall generally be charged quarterly in advance (unless you have agreed with your Financial Advisor on a monthly billing period). The Fee shall be based on the market value of the account’s assets on the last business day of the previous billing period, as reported to us by your third-party custodian, and shall be due promptly.

**Breakpoints.** Fee rates may be expressed as a fixed rate applying to all assets in the account, or as a schedule of rates applying to different asset levels, or “breakpoints.” When the fee is expressed as a schedule of rates corresponding to different breakpoints, discounts, if any, are negotiated separately for each breakpoint. As the value of account assets reaches the various breakpoints, the incremental assets above each threshold are charged the applicable rates. The effective fee rate for the account as a whole is then a weighted average of the scheduled rates and may change when the asset levels in the account change.

**Accounts Related for Billing Purposes.** When two or more investment advisory accounts are related together for billing purposes (“Billing Relationship”), you can benefit from existing breakpoints. For example, if you have two accounts in the Billing Relationship, the fees on Account #1 are calculated by applying your total assets (i.e., assets in Account #1 + assets in Account #2) to the Account #1 breakpoints. Because this amount is greater than the amount of assets solely in Account #1, you may have a greater

proportion of assets subject to lower fee rates, which in turn lowers the average fee rate for Account #1. This average fee rate is then multiplied by the actual amount of assets in Account #1 to determine the dollar fee for Account #1. Likewise, the total assets are applied to the Account #2 breakpoints to determine the average fee rate for Account #2, which is then multiplied by the actual amount of assets in Account #2 to determine the dollar fee for Account #2.

Only certain accounts can be included in a Billing Relationship, based on applicable rules and regulations and MSWM’s policies and procedures. Even where accounts are eligible to be related under these policies and procedures, they will only be included in a Billing Relationship if this is specifically agreed between you and your Financial Advisor.

**ERISA Fee Disclosure for Qualified Retirement Accounts.** In accordance with Department of Labor regulations under Section 408(b)(2) of ERISA, MSWM is required to provide certain information regarding our services and compensation to assist fiduciaries and plan sponsors of those Retirement Accounts that are subject to the requirements of ERISA in assessing the reasonableness of their plan’s contracts or arrangements with us, including the reasonableness of our compensation. This information is provided to you at the outset of your relationship with us and is set forth in this Brochure and in your advisory contract with us. It is also provided at least annually to the extent that there are changes to any investment-related disclosures for services provided as a fiduciary under ERISA.

**Other.** A portion of the Morgan Stanley Advisory Fee will be paid to your Financial Advisor. *See Item 4.D below (Compensation to Financial Advisors), for more information.*

## B. Comparing Costs

Depending on the level of trading and types of securities purchased or sold in your account, if purchased separately, you may be able to obtain transaction execution at a higher or lower cost at MSWM or elsewhere than the Morgan Stanley Advisory Fee in the Program. However, in a brokerage account, you would not receive the investment advisory services and discretionary portfolio management described in this Brochure. If you participate in the Program, you pay a fee, based on the market value of the account, for a variety of services and accordingly could pay more or less for such services than if you purchased such services separately (to the extent that such services would be available separately to you). Furthermore, the same or similar services to those available in the Program may be available at a lower fee in programs offered by other investment advisors. For certain investment styles there may be a mutual fund and an SMA offered by the same investment management firm and, therefore, the underlying investments in the SMA and the mutual fund may be substantially identical. Because the underlying expenses and fees of the SMA are generally lower, the performance of an SMA is generally higher than that of the comparable mutual fund. Therefore, in these investment styles if you meet the minimum

level of investment for the SMA, it may be more financially beneficial for you to select the SMA as the investment product. In addition, the MSWM Consulting Group offers other programs that do not offer mutual funds or ETFs, and do not offer all of the services available in the Program or those of a Sub-Manager. The fees in those programs may be higher or lower than the fees in the Program.

Purchases of mutual funds in your advisory account will be made in the advisory share class (if available), which generally has a lower cost than mutual fund share classes available in brokerage accounts. However, in an advisory account, in exchange for the advisory service you receive, you will pay an asset-based fee which you would not pay in a brokerage account. Therefore, the total fees you incur on your mutual fund investments in an advisory account may be higher or lower than the costs you incur if such mutual fund investment is held in one of the available share classes in a brokerage account. For more information about advisory share classes, please refer to the paragraph below titled “Mutual Fund Share Classes”.

You should consider these and other differences when deciding whether to invest in an investment advisory or a brokerage account and, if applicable, which advisory programs best suit your individual needs.

For more information about the differences between brokerage and advisory accounts, please refer to our Form CRS (Client Relationship Summary) at [www.morganstanley.com/adv](http://www.morganstanley.com/adv) as well as the document entitled “Understanding your Brokerage and Investment Advisory Relationships” which is available at:

<http://www.morganstanley.com/wealth-relationshipwithms/pdfs/understandingyourrelationship.pdf>.

## C. Additional Fees

If you open an account in the Program, you will pay a Fee and a Platform Fee, as described above.

The Fee does not cover:

- the costs of investment management fees and other expenses charged by mutual funds and ETFs (see below for more details);
- “mark-ups,” “mark-downs,” and dealer spreads, if any, (A) that MSWM or its affiliates, including MS&Co., receive when acting as principal in certain transactions where permitted by law, rule, or regulation or (B) that other broker-dealers receive when acting as principal in certain transactions effected through MSWM and/or its affiliates acting as agent, which is typically the case for dealer market transactions (e.g., fixed income, over-the-counter equity, and foreign exchange (“FX”) conversions in connection with purchases or sales of FX-denominated securities and with payments of principal and interest dividends on such securities);

- Underwriting, investment banking, and other fees where MS&Co. is a member of an underwriting syndicate
- fees or other charges that you will incur in instances where a transaction is effected through a third-party broker-dealer and not through us or our affiliates. Such fees or other charges will be included in the price of the security and not reflected as a separate charge on your trade confirmations or account statements;
- MSWM account establishment or maintenance fees for IRAs and Versatile Investment Plans (“VIP”), which are described in the respective IRA and VIP account and fee documentation (which may change from time to time);
- account closing/transfer costs;
- processing fees;
- any pass-through or other fees associated with investments in American Depositary Receipts (ADRs); and/or
- certain other costs or charges that may be imposed by third parties (including, among other things, odd-lot differentials, transfer taxes, foreign custody fees, exchange fees, supplemental transaction fees, regulatory fees and other fees or taxes that may be imposed pursuant to law).

## Funds in Advisory Programs

Investing in strategies that invest in mutual funds, closed-end funds and ETFs (such mutual funds, closed-end funds and ETFs are collectively referred to in this *Funds in Advisory Programs* Section as, “Funds”) is more expensive than other investment options offered in your advisory account. In addition to the Fee, you pay the fees and expenses of the Funds in which your account is invested. Fund fees and expenses are charged directly to the pool of assets the Fund invests in and are reflected in each Fund’s net asset value. These fees and expenses are an additional cost to you that is imbedded in the price of the Fund and, therefore, are not included in the Fee amount in your account statements. Each Fund expense ratio (the total amount of fees and expenses charged by the Fund) is stated in its prospectus. The expense ratio generally reflects the costs incurred by shareholders during the Fund’s most recent fiscal reporting period. Current and future expenses may differ from those stated in the prospectus.

You do not pay any sales charges for purchases of Funds in the Program. However, some mutual funds may charge, and not waive, a redemption fee on certain transaction activity in accordance with the policies described in the applicable prospectuses.

MSWM shall not be responsible for any misstatement or omission, or for any loss attributable to such misstatement or omission, contained in any Fund prospectus, fact sheet or any other Fund disclosure document provided to us for distribution to clients.

MSWM also receives the following fees and payments in connection with your investment in a Fund:

#### ***Support Fees and Mutual Fund Administrative Services Fees***

MSWM receives a support fee, also called a revenue sharing payment, from the sponsors of mutual funds and actively managed ETFs (but not passively-managed ETFs that seek to track the performance of a market index). Revenue-sharing payments are generally paid out of such Fund's sponsor or other affiliate's revenues or profits and not from the applicable fund's assets. We charge revenue sharing fees on your account holdings in such Funds according to a tiered rate that increases along with those Funds' management fee so that sponsors pay lower rates on funds with lower management fees than on those with higher management fees. The rate ranges up to a maximum of 0.10% per year (\$10 per \$10,000 of assets).

MSWM also receives compensation from mutual funds for providing certain recordkeeping and related administrative services to the funds. For example, we process transactions with mutual 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 these services, mutual funds pay 0.06% per year (\$6 per \$10,000 on mutual fund assets held by investors in the advisory program covered by this brochure. Administrative services fees may be viewed in part as a form of revenue-sharing if and to the extent they exceed what the mutual fund would otherwise have paid for these services. As discussed herein, all of the support fees and administrative services compensation we collect from mutual funds and/or actively-managed ETFs or their affiliated service providers with respect to investment advisory assets is returned to clients in the form of a fee offset. See the section above titled "Offset to the Platform Fee" for more information and eligibility to receive an offset.

Notwithstanding the foregoing, MSWM does not receive such payments for a Retirement Account and accounts we classify as Institutional.

#### ***Expense Payments and Fees for Data Analytics***

MSWM receives expense payments and fees for data analytics, recordkeeping, and related services. MSWM provides Fund families with opportunities to sponsor meetings and conferences and grants them access to our branch offices and Financial Advisors for educational, marketing, and other promotional efforts. Fund representatives may work closely with our branch offices and Financial Advisors to develop business strategies and support promotional events for clients and prospective clients, and educational activities. Some Fund families or their affiliates reimburse MSWM for certain expenses incurred in connection with these promotional efforts, client seminars, and/or training programs. Fund families independently decide if and what they will spend on these activities, with some Fund families agreeing to make substantial annual dollar amount expense reimbursement commitments. Fund families also invite our Financial Advisors to

attend Fund family- sponsored events. Expense payments may include meeting or conference facility rental fees and hotel, meal, and travel charges. For more information regarding the payments MSWM receives from Fund families, please refer to the brochures titled "Mutual Fund Features, Share Classes and Compensation" and "ETF Revenue Sharing, Expense Payments and Data Analytics" (together, the "Mutual Fund and ETF Brochures"), which can be found at <https://www.morganstanley.com/disclosures>. The Mutual Fund and ETF Brochures are also available from your Financial Advisor on request.

Fund family representatives are allowed to occasionally give nominal gifts to Financial Advisors, and to occasionally entertain Financial Advisors (subject to an aggregate entertainment limit of \$1,000 per employee per Fund family per year). MSWM's non-cash compensation policies set conditions for each of these types of payments, and do not permit any gifts or entertainment conditioned on achieving any sales target.

MSWM also provides Fund families with the opportunity to purchase data analytics regarding Fund sales. The amount of the fee depends on the level of data. We also offer sponsors of passively-managed ETFs a separate transactional data fee. Additional fees apply for those Fund families that elect to purchase supplemental data analytics regarding financial product sales at MSWM. For more information regarding these payments, as well as others, please refer to the Mutual Fund and ETF Brochures described above. Expense payments and fees for data analytics from Funds are retained by MSWM and are not included in the Offset Revenue.

#### ***Conflicts of Interest regarding the Above-Described Expense Payments and Fees for Data Analytics***

The above-described fees present a conflict of interest for Morgan Stanley and our Financial Advisors to promote, recommend, and/or purchase on a discretionary basis, as applicable, those Funds that make these payments rather than other eligible investments that do not make similar payments. Further, in aggregate, we receive significantly more support from participating revenue sharing sponsors and mutual funds that pay administrative services fees with the largest client holdings at our firm, as well as those sponsors that provide significant sales expense payments and/or purchase data analytics. This in turn could lead our Financial Advisors to focus on those Fund families. In addition, since our revenue sharing support fee program utilizes rates that are higher for Funds with higher management fees, we have a conflict of interest to promote and recommend Funds that have higher management fees. To mitigate these conflicts, Financial Advisors do not receive additional compensation as a result of the fees and data analytics payments received by Morgan Stanley. Moreover, as noted above and described in the Offset to the Platform Fee section above, the support fees and administrative service fees are rebated to clients.

## ***Affiliated Funds***

Certain Funds are sponsored or managed by, or receive other services from, MSWM and our affiliates which include, but are not limited to, Morgan Stanley Investment Management, Eaton Vance, Boston Management and Research, Calvert Research and Management, Atlanta Capital Management Company and Parametric Portfolio Associates. MSWM or the affiliated sponsor (or other service provider) receives additional investment management fees and/or other fees from these Funds. Unless otherwise noted, MSWM or its affiliates retain these various fees which are not rebated to you. Therefore, MSWM has a conflict to recommend MSWM proprietary and/or affiliated Funds. In order to mitigate this conflict, Financial Advisors do not receive additional compensation for recommending proprietary and/or affiliated funds. Additionally, affiliated Funds and sponsors are subject to the same economic arrangements with MSWM as those that MSWM has with third-party Funds. MSWM's affiliates have entered into administrative services and revenue sharing agreements with MSWM as described above.

## ***Mutual Fund Share Classes***

Mutual funds typically offer different ways to buy fund shares. Some mutual funds offer only one share class while most funds offer multiple share classes. Each share class represents an investment in the same mutual fund portfolio but assesses different fees and expenses. Many mutual funds have developed specialized share classes designed for advisory programs ("Advisory Share Classes"). In general, Advisory Share Classes are not subject to either sales loads or ongoing marketing, distribution and/or service fees (often referred to as "12b-1 fees"), although some will assess fees for record keeping and related administrative services, as disclosed in the applicable prospectus. MSWM typically utilizes Advisory Share Classes that compensate MSWM for providing such recordkeeping and related administrative services to its advisory clients. However, our fees for these services are rebated to clients as an offset to the Platform Fee, as described above. If you wish to purchase other types of Advisory Share Classes, which may carry lower overall costs and thereby increase your investment return, you will need to do so directly with the mutual fund or through an account at another financial intermediary.

Please note, we may offer non-Advisory Share Classes of mutual funds (i.e., those that are subject to 12b-1 fees or other shareholder service fees) if, for example, a fund does not offer an Advisory Share Class that is equivalent to those offered here. In such instance, MSWM will rebate directly to the client holding such funds any such 12b-1 fees or other shareholder service fees that we receive. Once we make an Advisory Share Class available for a particular mutual fund, you can only purchase the Advisory Share Class of that fund in an advisory account.

If you hold non-Advisory Share Classes of mutual funds in your advisory account or seek to transfer non-Advisory Share Classes of mutual funds into your advisory account, MSWM (without notice to you) will generally convert those shares to Advisory

Share Classes to the extent they are available. This will typically result in your shares being converted into a share class that has a lower expense ratio, although exceptions are possible.

On termination of your advisory account for any reason, or the transfer of mutual fund shares out of your advisory account into a brokerage account at MSWM, we will convert any Advisory Share Classes of funds into a share class that is available in non-advisory accounts or we may redeem these fund shares altogether. Non-Advisory Share Classes generally have higher operating expenses than the corresponding Advisory Share Class, which will increase the cost of investing and negatively impact investment performance. For a taxable account, there will be tax consequences associated with a redemption.

For more information, please refer to the Mutual Fund and ETF Brochures described above.

## ***Cash Sweeps***

Generally, some portion of your account will be held in cash. If MSWM acts as custodian for your account, it will effect transactions of free credit balances in your account into interest-bearing deposit accounts ("Deposit Accounts") established under the Bank Deposit Program ("BDP"). For most clients, BDP will be the designated cash sweep vehicle investment. Generally, the rate you will earn on BDP will be lower than the rate on other available cash alternatives. In limited circumstances, such as for clients ineligible for BDP or where MSWM otherwise elects, MSWM may sweep some or all of your cash into money market mutual funds (each a "Money Market Fund"). These Money Market Funds are managed by MSIM or another MSWM affiliate. Pathway Funds are not included as an investment in the Cash Sweep.

It is important to note that free credit balances and allocations to cash, including assets invested in sweep vehicle investments, are included in the calculation of the Fee and the Platform Fee for your account, as described above.

If your account is a Retirement Account, you should read Exhibit B to this Brochure, entitled "Affiliated Money Market Funds Fee Disclosure Statement and Float Disclosure Statement".

MSWM, acting as your custodian, will effect sweep transactions only to the extent permitted by law and if you meet the sweep vehicle investment's eligibility criteria. Effective first quarter 2023, certain eligible deposits in BDP may be sent to non-affiliated Program Banks (as defined in the Bank Deposit Program Disclosure); this additional feature may provide enhanced FDIC coverage to you as well as funding value benefits to the Morgan Stanley Sweep Banks. For eligibility criteria applicable to this additional feature and BDP generally, please refer to the Bank Deposit Program Disclosure Statement which is available at: [http://www.morganstanley.com/wealth-investmentstrategies/pdf/BDP\\_disclosure.pdf](http://www.morganstanley.com/wealth-investmentstrategies/pdf/BDP_disclosure.pdf)



### *Conflicts of Interest Regarding Sweep Investments*

If BDP is your sweep vehicle investment, you should be aware that the Morgan Stanley Sweep Banks, which are affiliates of MSWM, will pay MSWM an annual account-based flat fee for the services performed by MSWM with respect to BDP. MSWM and the Morgan Stanley Sweep Banks will review such fee annually and, if applicable, mutually agree upon any changes to the fee to reflect any changes in costs incurred by MSWM. Your Financial Advisor will not receive a portion of these fees or credits. In addition, MSWM will not receive cash compensation or credits in connection with the BDP for assets in the Deposit Accounts for Retirement Accounts. Also, the Morgan Stanley Sweep Banks have the opportunity to earn income on the BDP assets through lending activity, and that income is usually significantly greater than the fees MSWM earns on affiliated Money Market Funds. Thus, MSWM, in its capacity as custodian, has a conflict of interest in enrolling you in BDP as the default sweep vehicle investment, rather than an eligible Money Market Fund.

In addition, MSWM and the Morgan Stanley Sweep Banks and their affiliates receive other financial benefits in connection with the BDP. Through the BDP, each Morgan Stanley Sweep Bank will receive a stable, cost-effective source of funding. Each Morgan Stanley Sweep Bank intends to use deposits in the Deposit Accounts at the Morgan Stanley Sweep Banks to fund current and new businesses, including lending activities and investments. The profitability on such loans and investments is generally measured by the difference, or “spread,” between the interest rate paid on the Deposit Accounts at the Morgan Stanley Sweep Banks and other costs of maintaining the Deposit Accounts, and the interest rate and other income earned by the Morgan Stanley Sweep Banks on those loans and investments made with the funds in the Deposit Accounts. The income that a Morgan Stanley Sweep Bank will have the opportunity to earn through its lending and investing activities is expected to be greater than the fees earned by us and our affiliates from managing and distributing the Money Market Funds which may be available to you as a sweep investment.

Morgan Stanley has added Program Banks to the BDP in order to maximize the funding value of the deposits in BDP for the Morgan Stanley Sweep Banks. On any given day, you may have deposits that are sent to a Program Bank depending on the funding value considerations of the Morgan Stanley Sweep Banks and the capacity of the depository networks that allocate deposits to the Program Banks. In addition to the benefits to the Morgan Stanley Sweep Banks, you may also benefit from having deposits sent to the Program Banks by receiving FDIC insurance on deposit amounts that would otherwise be uninsured.

If your sweep vehicle investment is a Money Market Fund, as available, then the account, as well as other shareholders of the Money Market Fund, will bear a proportionate share of the other expenses of the Money Market Fund in which the account’s assets are invested.

If your sweep vehicle investment is a Money Market Fund, you understand that MSIM (or another MSWM affiliate) will receive compensation, including management fees and other fees, for managing the Money Market Fund. In addition, we receive compensation from such Money Market Funds at rates that are set by the funds’ prospectuses and currently range, depending on the program in which you invest, from 0.10% per year (\$10 per \$10,000 of assets) to 0.25% per year (\$25 per \$10,000 of assets) of the total Money Market Fund assets held by our clients. Please review your Money Market Fund’s prospectus to learn more about the compensation we receive from such funds.

We have a conflict of interest as we have an incentive to only offer affiliated Money Market Funds in the Cash Sweep program, as MSIM (or another MSWM affiliate) will receive compensation for managing the Money Market Fund. We also have a conflict of interest as we have an incentive to offer those affiliated funds and share classes that pay us more compensation than other funds and share classes. You should understand these costs because they decrease the return on your investment. In addition, we receive additional payments from Morgan Stanley Investment Management Inc. in the event a Money Market Fund waives certain fees in a manner that reduces the compensation that we would otherwise receive.

We either rebate to clients or do not receive compensation on sweep Money Market Fund positions held in our fee-based advisory account programs.

Unless your account is a Retirement Account, the Fee will not be reduced by the amount of the Money Market Fund’s applicable fees. For additional information about the Money Market Fund and applicable fees, you should refer to each Money Market Fund’s prospectus.

### **D. Compensation to Financial Advisors**

If you invest in the Program, a portion of the fees payable to us in connection with your account is allocated on an ongoing basis to your Financial Advisor. The amount allocated to your Financial Advisor in connection with accounts opened in the Program may be more than if you participated in other MSWM investment advisory programs, or if you paid separately for investment advice, brokerage, and other services. In such case, your Financial Advisor has a financial incentive to recommend the Program instead of other MSWM programs or services.

If you invest in the Program, your Financial Advisor may agree to charge a fee less than the maximum fee stated above. The amount of the fee you pay is a factor we use in calculating the compensation we pay your Financial Advisor. Therefore, Financial Advisors have a financial incentive not to reduce fees. If your fee rate is below a certain threshold, we give your Financial Advisor credit for less than the total amount of your fee in calculating his or her compensation. Therefore, Financial Advisors also have a financial incentive not to reduce fees below that threshold. If your account is serviced through a Morgan

Stanley Virtual Advisor (“MSVA”), your MSVA is paid a base salary plus a discretionary bonus and does not retain any portion of the Morgan Stanley Advisory Fee.

For more information on MSVA, please visit <https://www.morganstanley.com/what-we-do/wealth-management/morgan-stanley-virtual-advisor>

## Item 5: Account Requirements and Types of Clients

**Account Minimums.** The Program generally has a minimum account size of \$10,000. The minimum may be greater than \$10,000 for some Investment Products and for some versions of the Program. Generally, the minimum is \$1,000 for Firm Discretion accounts that have selected a Pathway Target Date Model or the Pathway Model.

**Types of Clients.** MSWM’s clients include individuals, trusts, banking or thrift institutions, pension and profit-sharing plans, plan participants, other pooled investment vehicles (e.g., hedge funds), charitable organizations, corporations, other businesses, state or municipal government entities, investment clubs and other entities.

## Item 6: Portfolio Manager Selection and Evaluation

### A. Selection and Review of Portfolio Managers and Funds for the Program

#### Eligible Financial Advisors

In the Program, Financial Advisors are appropriately licensed, have an acceptable compliance record, and, in order to participate in the Financial Advisor Discretion option, have successfully completed a Select UMA Financial Advisor Discretion certification course.

#### Selection and Review of Sub-Managers, Mutual Funds and ETFs

We offer a wide range of Investment Products that we have reviewed and approved for inclusion in the Program platform. Item 4.A above describes the basis on which we recommend particular Investment Products to particular clients. This Item 6.A describes more generally how we select, review, approve and terminate Investment Products which are available in this Program.

**Focus List and Approved List Review Process.** Morgan Stanley’s Global Investment Manager Analysis group (“GIMA”) evaluates the Investment Products to be offered in the Program. GIMA may delegate some of its functions to an affiliate or third party. Except for MSWM Investment Products, Investment Products may only participate in the Program if they are on GIMA’s Focus List or Approved List, as discussed below. The Focus List status indicates GIMA’s high confidence level in the

overall quality of the investment option and its ability to outperform applicable benchmarks over a full market cycle while the Approved List includes Investment Products that meet an acceptable due diligence standard based upon GIMA’s evaluation. You may obtain a copy of the Focus and/or Approved List from your Financial Advisor. Only some of the Investment Products approved by GIMA may be available in the Program.

In addition to requiring Investment Products to be on the Focus List or Approved List, we look at other factors in determining which Investment Products we offer in the Program, including:

- program needs (such as whether we have a sufficient number of Investment Products available in an asset class);
- client demand; and
- the Sub-Manager’s or Fund’s minimum account size.

As part of its diligence and review process, GIMA obtains certain information and documentation from an Investment Product, which may include a Request for Information (RFI), sample portfolios, asset allocation histories, its Form ADV (the form that investment managers use to register with the SEC), past performance information and marketing literature. Additional factors for consideration may include personnel depth, turnover and experience, investment process, business and organization characteristics, and investment performance. GIMA personnel may also interview the Sub-Manager or Fund and its key personnel and examine its operations.

Following this review process, GIMA will determine whether an Investment Product should be placed on the Approved List or the Focus List based upon its conviction in its manager and investment strategy and whether they meet the criteria for the applicable List.

Thereafter, GIMA periodically reviews Investment Products on the Approved List and Focus List to determine whether they continue to meet the appropriate standards. GIMA considers a broad range of factors (which may include investment performance, staffing, operational issues, and financial condition). Among other things, GIMA personnel may interview each Sub-Manager or Fund periodically to discuss these matters.

**Changes in Status from Focus List to Approved List.** GIMA may determine that an Investment Product no longer meets the criteria for the Focus List but meets the criteria for the Approved List. If so, MSWM generally notifies clients regarding such status changes on a quarterly basis within their client statements.

**Changes in Status to Not Approved.** GIMA may determine that an Investment Product no longer meets the criteria for either the Focus List or Approved List and change its status to “Not Approved”. At such time, the Investment Product will no longer be recommended and will be terminated from the Program within a reasonable amount of time. We may terminate Investment Products from the Program for other reasons as well (*i.e.*, the Investment Product has a low level of assets under management in

the Program, the Investment Product has limited capacity for further investment, or the Investment Product is not complying with our policies and procedures). You cannot continue to retain a terminated Sub-Manager or Fund in your account.

When an Investment Product is terminated, GIMA generally recommends a replacement Investment Product ("Replacement Investment Product"). In selecting the Replacement Investment Product, GIMA generally looks for an Investment Product in the same asset class and with similar attributes and holdings to the terminated Investment Product.

In Financial Advisor Discretion and Firm Discretion, we will either

- (i) replace the terminated Investment Product with a Replacement Investment Product without further notice to you or
- (ii) terminate your account upon a date selected by MSWM and communicated to you with reasonable advance notice.

For Client Discretion, we will notify you of the termination of the Investment Product from the Program and the Replacement Investment Product. The notification will request that you select a replacement from the Approved List or Focus List or notify us that you accept the Replacement Investment Product. If you do not provide us with such instructions within the prescribed time frame indicated, you will be deemed to have instructed MSWM (i) to discharge any terminated Investment Product and liquidate your account's holdings in such Investment Product and (ii) to engage on your behalf any Replacement Investment Product. Investing in a Replacement Investment Product that is an SMA may result in liquidation of securities from your account.

In some circumstances, you may be able to transfer terminated Investment Products into another advisory program or into a brokerage account subject to that program or account's applicable guidelines. Ask your Financial Advisor about these options.

#### ***Termination of Investment Products for Drop in Coverage.***

As indicated above in this Item 6.A, we may terminate Investment Products from the Program due to a GIMA downgrade to "Not Approved," or for various other reasons. A termination for reasons other than a GIMA downgrade to "Not Approved" will be referred to in this Brochure as a "Drop in Coverage".

Once we have decided to institute a Drop in Coverage for an Investment Product, we will generally not permit new investment in such Investment Product. However, for a period of time, we will permit clients to remain invested in that Investment Product and, in certain circumstances, to add new assets to that Investment Product. This is to allow impacted clients time and flexibility to work with their Financial Advisor to select a replacement Investment Product.

During this period, GIMA will continue to evaluate the impacted Investment Product. If GIMA downgrades the Investment

Product to "Not Approved," we will terminate the Investment Product at that time (rather than allowing current clients to utilize it for the remainder of the period).

***Watch Policy.*** GIMA has a "Watch" policy for Investment Products on the Focus List and Approved List. Watch status indicates that, in reviewing an Investment Product, GIMA has identified specific areas of the Manager's business that (a) merit further evaluation by GIMA and (b) may, but are not certain to, result in the Investment Product becoming "Not Approved." Putting an Investment Product on Watch does not signify an actual change in GIMA opinion nor is it a guarantee that GIMA will downgrade the Investment Product. The duration of a Watch status depends on how long GIMA needs to evaluate the Investment Product and for the respective Manager to address any areas of concern. For additional information, ask your Financial Advisor for a copy of GIMA's Watch Policy.

***Asset Class Changes.*** In certain instances, MSWM may determine that the asset class in which a Sub-Manager or Investment Product is included should be changed (an "Asset Class Change"). MSWM may notify you if you are invested in such Investment Product in advance of the Asset Class Change. Such notification may include an appropriate Investment Product (the "Change Default Product") that is in the Asset Class that you have selected. If you do not select a different Investment Product (or change to a different Model) prior to a date specified by MSWM in the notice of Asset Class Change, MSWM will change the Investment Product to the Change Default Product.

Alternatively, you authorize MSWM to, without notifying you, leave you in the Investment Product that is subject to the Asset Class Change, and MSWM will change your asset allocation within the Model to reflect the Asset Class Change.

In either case, MSWM will provide you with a confirmation of the new Investment Product or asset allocation, as applicable. Any changes to an Investment Product will have tax consequences.

***Other Changes.*** If (i) the amount in an Investment Product or Model in your account falls below the minimum for that Investment Product or Model (due to re-balancing, market activity or any other reason) or (ii) a Sub-Manager elects to terminate its investment advisory relationship with you, MSWM may (without further consent from you) transfer your assets to another appropriate Investment Product or Model, which Investment Product or Model has a minimum investment for which your account qualifies.

If you request any change to the account, and subsequent account statements or other communications indicate that the requested change has not been implemented, you must promptly notify your Financial Advisor.

If you request that any security(ies) be transferred out of an account, MSWM may suspend trading in the account until the transfer is complete (which may take several days). During this



time, Fees (as defined below in this Item 4) will continue to accrue.

**Other Relationships with Sub-Managers and Funds.** Some Sub-Managers and Funds on the Approved List or Focus List may have business relationships with us or our affiliates. For example, a Sub-Manager or Fund may use MS&Co or an affiliate as its broker or may be an investment banking client of MS&Co. or an affiliate. GIMA does not consider the existence nor lack of a business relationship in determining whether to include or maintain a Sub-Manager or Fund on the Approved List or Focus List.

## Calculating Sub-Manager and Fund Performance

**Sub-Manager Performance.** We generally present 10 years of a Sub-Manager strategy's performance history in reports available to you. For those periods in which we have a performance track record, we will create a composite comprised of client accounts invested in such strategy. We calculate this performance with our proprietary performance calculation system using asset-weighted monthly performance of this client composite.

We do not have a third party review this composite return data. Instead, we perform a monthly reconciliation on the individual accounts in the composite. We compare the monthly performance returns for individual accounts to the monthly performance returns for their peer accounts in the same investment style. We then review any outstanding "outliers" that have significantly higher or lower monthly performance returns than the average peer account in the same investment style.

If we do not have a performance track record for 10 years based on our own program data, we generally include performance data supplied by the Sub-Manager to show a full 10 years of performance. In such case, the Sub-Manager determines the standards used to calculate their data and we do not review or verify the accuracy of the Sub-Manager's performance data.

**Mutual Fund and ETF Performance.** For mutual fund and ETF Investment Products, we utilize the published performance for those Funds.

## B. Conflicts of Interest

MSWM has various conflicts of interests relating to the Program. We address these conflicts by disclosing them to you in this Brochure.

**Advisory vs. Brokerage Accounts.** MSWM and your Financial Advisor may earn more compensation if you invest in the Program than if you open a brokerage account (although, in a brokerage account, you will not receive all the services of Program as described in this Brochure). In such instance, your Financial Advisor and MSWM have a financial incentive to recommend the Program. We address this conflict of interest by disclosing it to you in this Brochure and by requiring Financial Advisors' supervisors to review your account at account opening

to ensure that it is appropriate for you in light of the applicable standard of care.

**Payments from Investment Managers.** See Item 4.C (Additional Fees – Funds in Advisory Programs), for more information.

Investment managers may sponsor their own educational conferences and pay expenses of Financial Advisors attending these events. MSWM's policies require that the training or educational portion of these conferences comprises substantially all of the event. Investment managers may sponsor educational meetings or seminars in which clients as well as Financial Advisors are invited to participate.

Investment managers are permitted to occasionally give nominal gifts to Financial Advisors, and to occasionally entertain Financial Advisors (subject to a limit of \$1,000 per employee per investment manager per year). MSWM's non-cash compensation policies set conditions for each of these types of payments, and do not permit any gifts or entertainment conditioned on achieving a sales target.

We address conflicts of interest by ensuring that any payments described in this "Payments from Investment Managers" section do not relate to any particular transactions or investment made by MSWM clients with investment managers. Investment managers participating in the Program are not required to make any of these types of payments. The payments described in this section comply with FINRA rules relating to such activities. Please see the discussion under "Funds in Advisory Programs" in Item 4.C for more information.

### **Payments from Model Portfolio Providers.**

Certain Model Portfolio Providers pay MSWM a support fee (the "MAPS Support Fee") with respect to the MAPS Third Party Strategies to support the MAPS platform. The Support Fee is generally \$50,000 per year per MAPS Third Party Strategy, or \$100,000 per year for a suite of related MAPS Third Party Strategies.

Payment of the Support Fee does not entitle the Third-Party Model Portfolio(s) or the MAPS Third Party Strategy(ies) to (i) exclusive or preferential treatment; (ii) access to or participation within MSWM's distribution channels; (iii) inclusion on any "Approved", "Focus" or any other designation or list; or (iv) any preferential consideration in investment recommendations made to clients.

**Different Advice.** MSWM and its affiliates may give different advice, take different action, receive more or less compensation, and/or hold or deal in different securities for any other party, client, or account (including their own accounts or those of their affiliates) from the advice given, actions taken, compensation received and/or securities held or dealt for your account.

**Trading or Issuing Securities in, or Linked to Securities in, Client Accounts.** MSWM and its affiliates may provide bids and offers, and may act as a principal market maker, in respect of the same securities held in client accounts. MSWM, its affiliates, the

investment managers in its programs, and their affiliates and employees may hold a position (long or short) in the same securities held in client accounts. MSWM and/or its affiliates are regular issuers of traded financial instruments linked to securities that may be purchased in client accounts. From time to time, the trading of MSWM, a Sub-Manager or their affiliates – both for their proprietary accounts and for client accounts – may be detrimental to securities held by a client and thus create a conflict of interest between those trades and the investment advisory services that MSWM or a Sub-Manager provides to you.

**Trade Allocations.** MSWM or an Executing Sub-Manager, as applicable, may aggregate securities to buy or sell for more than one client to obtain favorable execution, to the extent permitted by law. MSWM or the Executing Sub-Manager, as applicable, is responsible for allocating the trade in a manner that is equitable and consistent with its fiduciary duty to its clients (which could include, e.g., pro rata allocation, random allocation, or rotation allocation). For block trade orders executed by MSWM, the price to each client is the average price for the aggregate order. MSWM performs these trade allocation functions, as described in Item 4.A above.

**Services Provided to Other Clients.** MSWM, its affiliates, investment managers and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending, and investment banking services) for each other, for various clients (including issuers of securities that may be recommended for purchase or sale by clients or are otherwise held in client accounts), and for investment managers in the Program. MSWM, its affiliates, investment managers and their affiliates receive compensation and fees in connection with these services. MSWM believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these issuers or companies from an account. Accordingly, it is likely that securities in an account will include some of the securities of companies for which MSWM, its affiliates, investment managers and their affiliates perform investment banking or other services.

**Restrictions on Securities Transactions.** There may be periods during which MSWM or Sub-Managers are not permitted to initiate or recommend certain types of transactions in the securities of issuers for which MSWM or one of its affiliates is performing broker-dealer or investment banking services or have confidential or material non-public information. Furthermore, in certain investment advisory programs, MSWM may be compelled to forgo trading in, or providing advice regarding, Morgan Stanley Parent (as defined in Item 9 below) securities, and certain related securities. These restrictions can adversely impact your account performance.

MSWM, Sub-Managers, as well as our and their affiliates may also develop analyses and/or evaluations of securities sold in the Program, as well as buy and sell interests in securities on behalf of their proprietary or client accounts. These analyses, evaluations and purchase and sale activities are proprietary and confidential,

and MSWM will not disclose them to clients. MSWM may not be able to act, in respect of clients' account, on any such information, analyses or evaluations.

MSWM, Sub-Managers as well as our and their affiliates are not obligated to effect any transaction that they believe would violate federal or state law, or the regulations of any regulatory or self-regulatory body.

**Research Reports.** MS&Co. does business with companies covered by its research groups. Furthermore, MS&Co. and its affiliates, and client accounts, may hold a trading position (long or short) in the securities of companies subject to such research. In such instance, MS&Co. has a conflict of interest that could affect the objectivity of its research reports.

**Certain Trading Systems.** MSWM may effect trades or securities lending transactions on behalf of client accounts through exchanges, electronic communication networks or other alternative trading systems ("Trading Systems"), including Trading Systems with respect to which MSWM or its affiliates may have a non-controlling direct or indirect ownership interest, or right to appoint a board member or observer. If MSWM directly or indirectly effects client trades or transactions through Trading Systems in which MSWM or its affiliates have an ownership interest, MSWM or its affiliates may receive an indirect economic benefit based on their ownership interest. In addition, subject at all times to its obligations to obtain best execution for its customers' orders, it is contemplated that MSWM will route certain customer order flow to its affiliates.

Currently, MSWM and/or its affiliates own equity interests (or interests convertible into equity) in certain Trading Systems or their parent companies, including National Stock Exchange of India; Miami International Holdings Inc.; Copeland Markets LLC; Equilend; MEMX Holdings LLC; Euroclear Holding SA/NV; LCH. Group Holdings Limited;; CME; ICE US Holding Company, LP; LCH Clearnet Group LTD. (Clearing); OTCDeriv Limited; TIFFE – Tokyo Financial Futures Exchange; iSWAP Limited; EOS Precious Metals Limited; CreditDeiv Limited; FXGLOBALCLEAR; The Depository Trust and Clearing Corporation; CME/CBOT/NYMEX; Dubai Mercantile Exchange; Intercontinental Exchange; Bombay Stock Exchange; Japan Securities Depository Center Inc.; Japan Securities Clearing Corporation; Yensai.com Co., Ltd; and Octaura Holdings LLC..

The Trading Systems on which MSWM trades or effects securities lending transactions for client accounts and in which MSWM or its affiliates own interests may change from time to time. You can contact your Financial Advisor for an up-to-date list of Trading Systems in which MSWM or its affiliates own interests and on which MSWM and/or MS&Co. trade for client accounts.

Certain Trading Systems offer cash credits for orders that provide liquidity to their books and charge explicit fees for orders that extract liquidity from their books. From time to time, the amount of credits that MSWM and/or MS&Co. receives from one or more

Trading System may exceed the amount that is charged. Under these limited circumstances, such payments would constitute payment for order flow.

Certain Trading Systems through which MSWM and/or MS&Co. may directly or indirectly effect client trades execute transactions on a “blind” basis, so that a party to a transaction does not know the identity of the counterparty to the transaction. It is possible that an order for a client account that is executed through such a Trading System could be automatically matched with a counterparty that is (i) another investment advisory or brokerage client of MSWM or one of its affiliates or (ii) MSWM or one of its affiliates acting for its own proprietary accounts.

***Payment Arrangements with Trade Analysis Vendor used by MSWM.*** A vendor which MSWM utilizes to provide trade analysis provides certain fee discounts to MSWM for this trade analysis, based upon the number of firms that trade with MSWM which also subscribe to the vendor’s services. This creates a conflict of interest for MSWM in that MSWM’s fees paid to this vendor would change depending on whether MSWM trades with fewer or more firms that subscribe to the vendor’s services in the future. MSWM has not and will not consider this impact on the fees it pays in any way, either in determining which firms it will trade with or in continuing to contract with this vendor.

***MSWM Affiliate in Underwriting Syndicate; MSWM Distribution of Securities; Other Relationships with Security Issuers.*** If an affiliate of MSWM is a member of the underwriting syndicate from which a security is purchased, we or our affiliates could directly or indirectly benefit from such purchase. If MSWM participates in the distribution of new issue securities that are purchased for a client’s account, MSWM will receive a fee, to be paid by the issuing corporation to the underwriters of the securities and ultimately to MSWM, which will be deemed additional compensation to us, if received by us.

MSWM and/or its affiliates have a variety of relationships with, and provide a variety of services to, issuers of securities recommended for client accounts, including investment banking, corporate advisory and services, underwriting, consulting, and brokerage relationships. As a result of these relationships with an issuer, MSWM or its affiliates may directly or indirectly benefit from a client’s purchase or sale of a security of the issuer. For example, MSWM or its affiliates may provide hedging services for compensation to issuers of structured investments (such as structured notes) recommended for client accounts. In such case, MSWM or its affiliates could benefit if a client account purchased such an instrument, or sold such an instrument to another purchaser, in lieu of selling or redeeming the instrument back to the issuer, as such transactions could result in the issuer of the instrument continuing to pay MSWM or its affiliates fees or other compensation for the hedging services related to such instrument. Similarly, if the hedging service with respect to such an instrument is not profitable for MSWM or its affiliates, MSWM or its affiliates may benefit if MSWM’s client accounts holding such instruments sold or redeemed them back to the issuer. We address

these conflicts by disclosing them to you in this Brochure.

Also, in the event of corporate actions with respect to securities held in client accounts, to the extent such corporate actions result in exchanges, tender offers, or similar transactions, MSWM and/or its affiliates may participate in and/or advise on such transactions and receive compensation. The interest of MSWM’s affiliates in these corporate actions may conflict with the interest of MSWM clients. In addition, where an affiliate of MSWM is representing or advising the issuer in a transaction, the interest of the issuer may conflict with client interests and create a potential conflict of interest for MSWM. MSWM also provides various services to issuers, their affiliates, and insiders, including but not limited to, stock plan services and financial education for which MSWM receives compensation.

***Affiliated Investment Products.*** Certain of the Investment Products in the Program (including MSWM Investment Products) are affiliated with MSWM. Generally, Investment Products affiliated with MSWM will not be available to Retirement Accounts. However, Pathway mutual funds (which are MSWM Investment Products) and MSWM Investment Products that have no Sub-Manager fee as well as the Money Market Fund referenced in the Cash Sweep section above may be available to Retirement Accounts. Additionally, certain mutual funds, ETFs, and closed-end funds managed or sub-advised by our affiliates, including but not limited to MSIM and EVM and its investment affiliates, may be included in your account. To the extent that such funds are offered to and purchased by a Retirement Account, the Morgan Stanley Advisory Fee on any such Retirement Account will be reduced or adjusted by the amount of the fund’s management fee, shareholder servicing fee and distribution fee that we, or our affiliates, may receive in connection with such Retirement Account’s investment in such affiliated fund.

If your account is a Retirement Account invested in an SMA Investment Product managed by an affiliate, including but not limited to MSIM and EVM and its investment affiliates, MSWM shall offset or adjust any advisory fee such affiliated manager receives or a portion of the Morgan Stanley Advisory Fee will be waived.

You understand that MSWM and our affiliates will receive more aggregate compensation when you (or MSWM, if you have selected Firm Discretion or Financial Advisor Discretion) select an Investment Product that is affiliated with MSWM than if you (or MSWM) select an Investment Product that is not affiliated with MSWM. The selection of MSWM or an affiliate as a Sub-Manager or of a MSWM affiliated Fund may also be more costly to your account. In addition, some Investment Products that are affiliated with MSWM may charge higher fees than other affiliated or unaffiliated Investment Products. Thus, MSWM and your Financial Advisor have a conflict of interest as they have a financial incentive to recommend (or select, if you have selected Firm Discretion or Financial Advisor Discretion) affiliated Investment Products. Similarly, if a Sub-Manager or a Fund is not affiliated with us but we have an ownership share in the Sub-

Manager or in the Fund's manager, we and your Financial Advisor have a conflict of interest as we have a financial incentive to recommend that Sub-Manager or Fund to you because, as an owner of the Sub-Manager or the Fund's manager, we benefit from its profits.

**Affiliated Sweep Investments.** MSWM, in its capacity as your custodian, has a conflict of interest in electing BDP or Money Market Funds as the sweep investment. *See Item 4.C above (Services, Fees and Compensation -- Additional Fees – Cash Sweeps – Bank Deposit Program and Money Market Funds), for more information*

**Investments in Sweep Investments or Mutual Funds.** As described in Item 1.C above, with respect to non-Retirement Account clients, MSWM or its affiliates earn greater compensation from mutual funds than from separate accounts. At times, a Sub-Manager may believe that it is in a Client's interest to maintain assets in cash, particularly for defensive purposes in volatile markets. The above-described Bank Deposit Program revenue and fees for Money Market Funds, administrative services fees for accounts of non-Retirement Account clients and other payments create a potential for a conflict of interest to the extent that the additional payments could influence MSWM to recommend or select (a) a mutual fund or ETF Investment Product, instead of a separate account Investment Product, or (b) a Model, Sub-Manager or investment style that favors cash balances.

Please note that your Financial Advisor does not receive any of the Bank Deposit Program revenue, fees from Money Market Funds or administrative services fees described herein.

**Nonpublic Information.** In the course of investment banking or other activities, MSWM, the Investment Products, and each of our and their respective affiliates may from time to time acquire confidential or material nonpublic information that may prevent us or them, for a period of time, from purchasing or selling particular securities for your account. MSWM, the Investment Products, and each of our and their respective affiliates will not be free to divulge or to act upon this information with respect to our or their advisory or brokerage activities, including activities with regard to your account. This may adversely impact the investment performance of your account.

**Benefits to Affiliates.** MSWM affiliates may receive a financial benefit from MSWM or any Sub-Manager in the form of compensation for trade executions for the accounts of MSWM or Sub-Managers or accounts that are managed by MSWM or Sub-Managers, or through referrals of brokerage or investment advisory accounts to MSWM by Sub-Managers.

**Other Investment Products Available.** MSWM or Sub-Managers may offer to the public investment products, such as mutual funds, with similar investment styles and holdings as the SMA strategies offered through the Program. Such products may be offered at differing fees and charges that may be higher or lower than the fees imposed by MSWM under the Program.

Furthermore, an SMA Investment Product and a mutual fund Investment Product may utilize the same investment manager and investment strategy but have different minimum investment amounts and fees. Fees for an SMA Investment Product may be lower than for a similar mutual fund Investment Product. Even where you have elected Financial Advisor Discretion, your Portfolio may include a mutual fund Investment Product even where a similar but lower cost SMA Investment Product is available. In such case, MSWM will not change your investment to the SMA Investment Product if your assets increase to above the minimum investment amount for the SMA Investment Product. You should discuss all investment options with your Financial Advisor.

**Other Business with Certain Firms.** Certain investment management firms (which may include Sub-Managers as well as the managers of Funds) do other business with MSWM or its affiliates.

**Block Trades.** In connection with the Program, MSWM may execute certain block trades or Executing Sub-Managers may direct some block trades to MSWM for execution; such blocks may include trades for other clients of MSWM and/or Executing Sub-Managers. Although MSWM executes these block trades at no commission, MSWM may obtain a benefit from executing these block trades, as a result of the increased trading volume attributable to these blocks.

## **C. MSWM and Financial Advisors acting as Portfolio Managers**

### **Description of Advisory Services**

If you have elected Financial Advisor Discretion, MSWM, acting primarily through the Discretionary FA, acts as the discretionary portfolio manager as described in Item 4.A above. Similarly, if you have elected Firm Discretion, MSWM acts as the discretionary portfolio manager as described in Item 4.A above. If you select a MAPS Portfolio as an SMA Investment Product, MSWM acts as the discretionary portfolio manager. *See Item 4.A above for a description of the services offered in the program described in this Brochure.*

### **Tailoring Services for Individual Clients**

With the assistance of your Financial Advisor, you may select a particular investment strategy for your account. You may also place reasonable restrictions on the investments in your account (as discussed above in Item 4.A).

Unless you have elected Financial Advisor Discretion, Firm Discretion, or a MAPS Strategy, MSWM does not have discretion to Investment Products for you. In such case, you will select the Investment Product for your account with the assistance of your Financial Advisor.

MSWM tailors its advisory services to individual clients in the Program by advising the clients as to appropriate Sub-Managers or

other Investment Products or, in the case of Firm Discretion or Financial Advisor Discretion by selecting appropriate Sub-Managers or other Investment Products. *See Item 4.A above, for more information.*

### **Wrap Fee Programs**

MSWM acts as the sponsor of the Program. Additionally, in the case of Financial Advisor Discretion, Firm Discretion or in a MAPS Strategy, MSWM will act as the discretionary portfolio manager. MSWM receives the entire Morgan Stanley Advisory Fee in the Program. As described in Item 4.A above, the Sub-Manager Fees are separate from (and in addition to) the Morgan Stanley Advisory Fee. MSWM does not retain any portion of the Sub-Manager Fees.

### **Performance-Based Fees**

MSWM does not charge performance-based fees in the Program.

### **Methods of Analysis and Investment Strategies**

Financial Advisors may use any investment strategy when providing investment advice to you. Financial Advisors may use asset allocation recommendations of the Morgan Stanley Wealth Management Global Investment Office as a resource but there is no guarantee that any strategy will in fact mirror or track these recommendations. Investing in securities involves risk of loss that you should be prepared to bear.

If a MAPS Strategy is utilized, MSWM will utilize the methods of analysis described in Exhibit C, as may be amended from time to time, attached hereto, titled "MAPS Strategies and Methods of Analysis." More detailed information on each strategy is available on request from your Financial Advisor.

### **Policies and Procedures Relating to Voting Client Securities**

You have the option to elect who votes proxies for your account. Unless you have expressly retained the right to vote proxies, for SMA Investment Products, you delegate proxy voting authority to the Sub-Managers. In all other instances, you delegate proxy voting authority to a third-party proxy voting service provider, Institutional Shareholder Services Inc. ("ISS"), which MSWM has engaged to vote proxies on your behalf. You cannot delegate proxy voting authority to MSWM or any Morgan Stanley employees and we do not agree to assume any proxy voting authority from you.

If you expressly retain the right to vote proxies, we will forward to you any proxy materials that we receive for securities in your account. Neither MSWM nor your Financial Advisor will advise you on particular proxy solicitations. If the Sub-Managers or ISS, as applicable, vote proxies for you, you cannot instruct them on how to cast any particular vote.

If you have delegated proxy voting authority to the Sub-Managers or ISS, as applicable, you can obtain, from your Financial Advisor,

information as to how proxies were voted for your account during the prior annual period and a Sub-Manager's or ISS's, as applicable, relevant proxy voting policies and procedures (including a copy of their policy guidelines and vote recommendations in effect from time to time). You can change your proxy voting election at any time by contacting your Financial Advisor.

Neither MSWM nor the Sub-Managers will provide advice or take action with respect to legal proceedings (including bankruptcies) relating to the securities in your account, except to the extent required by law, rule, or regulation.

## **Item 7: Client Information Provided to Portfolio Managers**

Your Financial Advisor has access to the information you provide at - and subsequent to - account opening (the "Client Information"), including, but not limited to, your name, address, contact information, transaction detail, information regarding your investment objectives, financial information, risk tolerance, and any reasonable restrictions you may impose on management of your account. This includes information in the client profile and investment questionnaire you complete (or your Financial Advisor completes for you) as part of the account opening process. At account opening, or subsequently as necessary to service your relationship, Morgan Stanley may provide your Sub-Manager with certain Client Information.

Your selection of a Sub-Manager is deemed to be your consent to us to provide Client Information to such Sub-Manager. You can revoke that consent at any time by terminating the account.

## **Item 8: Client Contact with Portfolio Managers**

You can contact your Financial Advisor at any time during normal business hours.

MSWM will generally conduct all communication with you. For your investments in an SMA managed by a Sub-Manager, MSWM will use reasonable efforts to encourage each Sub-Manager to be reasonably available to you and your Financial Advisor for joint consultation regarding the management of your account and any complex and non-routine questions you have.

## **Item 9: Additional Information**

### **Disciplinary Information**

This section contains information on certain legal and disciplinary events.

- On June 8, 2016, the SEC entered into a settlement order with MSWM ("June 2016 Order") settling an administrative action. In this matter, the SEC found that MSWM willfully

violated Rule 30(a) of Regulation S-P (17 C. F. R. § 248.30(a)) (the “Safeguards Rule”). In particular, the SEC found that, prior to December 2014, although MSWM had adopted written policies and procedures relating to the protection of customer records and information, those policies and procedures were not reasonably designed to safeguard its customers’ personally identifiable information as required by the Safeguards Rule and therefore failed to prevent a MSWM employee, who was subsequently terminated, from misappropriating customer account information. In determining to accept the offer resulting in the June 2016 Order, the SEC considered the remedial efforts promptly undertaken by MSWM and MSWM’s cooperation afforded to the SEC Staff. MSWM consented, without admitting or denying the findings, to a censure, to cease and desist from committing or causing future violations, and to pay a civil penalty of \$1,000,000.

- On January 13, 2017, the SEC entered into a settlement order with MSWM (“January 2017 Order”) settling an administrative action. The SEC found that from 2009 through 2015, MSWM inadvertently charged advisory fees in excess of what had been disclosed to, and agreed to by, its legacy clients of Citigroup Global Markets Inc., which was a predecessor to MSWM, and, from 2002 to 2009 and from 2009 to 2016, MS&Co. and MSWM, respectively, inadvertently charged fees in excess of what was disclosed to and agreed to by their clients. The SEC also found that MSWM failed to comply with requirements regarding annual surprise custody examinations for the years 2011 and 2012, did not maintain certain client contracts, and failed to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Investment Advisers Act of 1940 (the “Advisers Act”). The SEC found that, in relation to the foregoing, MSWM willfully violated certain sections of the Advisers Act. In determining to accept the offer resulting in the January 2017 Order, the SEC considered the remedial efforts promptly undertaken by MSWM. MSWM consented, without admitting or denying the findings, to a censure, to cease and desist from committing or causing future violations, to certain undertakings related to fee billing, books and records and client notices and to pay a civil penalty of \$13,000,000.
- On February 14, 2017, the SEC entered into a settlement order with MSWM settling an administrative action. The SEC found that from March 2010 through July 2015, MSWM solicited approximately 600 non-discretionary advisory accounts to purchase one or more of eight single inverse exchange traded funds (“SIETFs”), without fully complying with its internal written compliance policies and procedures related to these SIETFs, which among other things required that clients execute a disclosure notice, describing the SIETF’s features and risks, prior to purchasing them, for MSWM to maintain the notice, and for subsequent related reviews to be performed. The SEC found that, despite being

aware of deficiencies with its compliance and documentation of the policy requirements, MSWM did not conduct a comprehensive analysis to identify and correct past failures where the disclosure notices may not have been obtained and to prevent future violations from occurring. The SEC found that, in relation to the foregoing, MSWM willfully violated section 206(4) of the Investment Advisers Act of 1940 and Rule 206(4)-7 thereunder. MSWM admitted to certain facts and consented to a censure, to cease and desist from committing or causing future violations, and to pay a civil penalty of \$8,000,000.

- On June 29, 2018, the SEC entered into a settlement order with MSWM settling an administrative action which relates to misappropriation of client funds in four related accounts by a single former MSWM financial advisor (“FA”). The SEC found that MSWM failed to adopt and implement policies and procedures or systems reasonably designed to prevent personnel from misappropriating assets in client accounts. The SEC specifically found that, over the course of eleven months, the FA initiated unauthorized transactions in the four related client accounts in order to misappropriate client funds. The SEC found that while MSWM policies provided for certain reviews prior to issuing disbursements, such reviews were not reasonably designed to prevent FAs from misappropriating client funds. Upon being informed of the issue by representatives of the FA’s affected clients, MSWM promptly conducted an internal investigation, terminated the FA, and reported the fraud to law enforcement agencies. MSWM also fully repaid the affected clients, made significant enhancements to its policies, procedures, and systems (“Enhanced MSWM Policies”) and hired additional fraud operations personnel. The SEC found that MSWM willfully violated section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder. The SEC also found that MSWM failed to supervise the FA pursuant to its obligations under Section 203(e)(6) of the Advisers Act. MSWM consented, without admitting or denying the findings, to a censure; to cease and desist from committing or causing future violations; to certain undertakings, including certifications related to the implementation and adequacy of the Enhanced MSWM Policies and to pay a civil penalty of \$3,600,000.
- On May 12, 2020, the SEC entered into a settlement order with MSWM settling an administrative action which relates to certain information provided in marketing and client communications to retail advisory clients in MSWM’s wrap fee programs with third-party managers and MSWM’s policies and procedures related to trades not executed at MSWM. In the applicable wrap fee programs, the third-party manager has the discretion to place orders for trade execution on clients’ behalf at a broker-dealer other than Morgan Stanley. MSWM permits managers to “trade away” from MSWM in this manner in order to seek best execution for trades. The SEC found that, from at least October 2012 through June 2017, MSWM provided incomplete and

inaccurate information indicating that MSWM executed most client trades and that, while additional transaction-based costs were possible, clients did not actually incur them in the ordinary course. The SEC found that this information was misleading for certain retail clients because some wrap managers directed most, and sometimes all, client trades to third-party broker-dealers for execution, which resulted in certain clients paying transaction-based charges that were not visible to them. The SEC also found that, on occasion, wrap managers directed trades to MSWM-affiliated broker-dealers in which clients incurred transaction-based charges in violation of MSWM's affiliate trading policies without detection by MSWM. The SEC noted in the order that it considered certain remedial acts undertaken by MSWM in determining to accept the order, including MSWM enhancing its disclosures to clients, implementing training of financial advisors, enhancing relevant policies and procedures, and refunding clients' transaction-based charges paid to Morgan Stanley affiliates. The SEC found that MSWM willfully violated certain sections of the Investment Advisers Act of 1940, specifically Sections 206(2) and 206(4) and Rule 206(4)-7 thereunder. MSWM consented, without admitting or denying the findings and without adjudication of any issue of law or fact, to a censure; to cease and desist from committing or causing future violations; and to pay a civil penalty of \$5,000,000.

MSWM's Form ADV Part 1 contains further information about its disciplinary history and is available on request from your Financial Advisor or on the SEC's website.

### **Other Financial Industry Activities and Affiliations**

Morgan Stanley ("Morgan Stanley Parent") is a financial holding company under the Bank Holding Company Act of 1956. Morgan Stanley Parent is a corporation whose shares are publicly held and traded on the New York Stock Exchange ("NYSE"). MSWM is a wholly owned indirect subsidiary of Morgan Stanley Parent.

**Activities of Morgan Stanley Parent.** Morgan Stanley Parent is a global firm engaging, through its various subsidiaries, in a wide range of financial services including:

- securities underwriting, distribution, trading, merger, acquisition, restructuring, real estate, project finance and other corporate finance advisory activities
- merchant banking and other principal investment activities
- brokerage and research services
- asset management
- trading of foreign exchange, commodities, and structured financial products and
- global custody, securities clearance services, and securities lending.

**Broker-Dealer Registration.** As well as being a registered investment advisor, MSWM is registered as a broker-dealer.

**Restrictions on Executing Trades.** As MSWM is affiliated with MS&Co. and its affiliates, the following restrictions apply when executing client trades:

- MSWM and MS&Co. generally do not act as principal in executing trades for MSWM investment advisory clients, except as permitted by applicable laws, rules, and regulations.
- Regulatory restrictions may limit your ability to purchase, hold or sell equity and debt issued by Morgan Stanley Parent and its affiliates in some investment advisory programs.
- Certain regulatory requirements may limit MSWM's ability to execute transactions through alternative execution services (e.g., electronic communication networks and crossing networks) owned by MSWM, MS&Co. or their affiliates.

These restrictions may adversely impact your account performance.

*See Item 6.B above for conflicts arising from our affiliation with MS&Co. and its affiliates.*

### **Related Investment Advisers and Other Service Providers.**

MSWM has affiliates (including MSIM, Morgan Stanley Investment Management Limited and Consulting Group Advisory Services LLC as well as EVM and its affiliates) that are investment advisers to mutual funds in various investment advisory programs. If you invest your assets in an affiliated mutual fund, MSWM and its affiliates earn more money than if you invest in an unaffiliated mutual fund. Generally, for Retirement Accounts, MSWM rebates or offsets fees so that MSWM complies with IRS and Department of Labor rules and regulations.

MSIM and certain EVM investment affiliates serves in various advisory, management, and administrative capacities to open-ended and closed-end investment companies and other portfolios (some of which are listed on the NYSE). Morgan Stanley Services Company Inc., its wholly owned subsidiary, provides limited transfer agency services to certain open-end investment companies. Morgan Stanley Distribution Inc. serves as distributor for the open-end investment companies and has entered into selected dealer agreements with MSWM and affiliates. Morgan Stanley Distribution Inc. also may enter into selected dealer agreements with other dealers. Under many of these agreements, MSWM and affiliates, and other selected dealers, are compensated for sale of fund shares to clients on a brokerage basis, and for shareholder servicing (including pursuant to plans of distribution adopted by the investment companies pursuant to Rule 12b-1 under the Investment Company Act of 1940).

Related persons of MSWM act as a general partner, administrative agent or special limited partner of a limited partnership or managing member or special member of a limited liability company to which such related persons serve as adviser or sub-



adviser and in which clients have been solicited in a brokerage or advisory capacity to invest. In some cases, the general partner of a limited partnership is entitled to receive an incentive allocation from a partnership.

*See Item 4.C above for a description of cash sweep investments managed or held by related persons of MSWM.*

*See Item 6.B above for a description of various conflicts of interest.*

**Market Transition Away from LIBOR.** The following applies to holders of products directly or indirectly linked to the London Interbank Offered Rate (“LIBOR”) or the Secured Overnight Financing Rate (“SOFR”) and investors that are considering purchasing such products. Depending on your current holdings and investment plans, this information may or may not be applicable to you.

LIBOR had been a widely used interest rate benchmark in bond, loan, and derivative contracts, as well as consumer lending instruments such as mortgages. However, as a result of concerns with the integrity of LIBOR and how it is determined, LIBOR will cease to be published and will be replaced by alternative reference rates.

Specifically, overnight and one-, three-, six- and 12-month USD LIBOR will no longer be published after June 30, 2023. However, regulators have indicated that the time until then is to be used only for managing existing LIBOR-based products. All settings for GBP, EUR, JPY and CHF LIBOR, and one-week and two-month settings for USD LIBOR, are no longer being published, although synthetic versions of GBP and JPY LIBOR rates will be published for a period of time. The committee convened by the U.S. Federal Reserve Board and the Federal Reserve Bank of New York, the Alternative Reference Rates Committee (ARRC), has selected SOFR as the recommended alternative benchmark rate to USD LIBOR.

The market transition away from LIBOR to alternative rates is complex and could have a range of impacts on financial products and transactions directly or indirectly linked to LIBOR. For example, the fallback provisions in your LIBOR-based products, or the absence thereof, could have an adverse effect on the value of such products as well as your investment strategy. Documentation governing existing LIBOR-based products may contain “fallback provisions”, which provide for how the applicable interest rate will be calculated if LIBOR ceases or is otherwise unavailable. Fallback provisions can materially differ across products and even within a given asset class. Furthermore, such provisions may not contemplate alternative reference rates such as SOFR (in particular in older documentation) and/or may result in increased uncertainty and change the economics of the product when LIBOR ceases. Clients utilizing hedging strategies may also face basis risk due to inconsistent fallback provisions in their various investments. Recently, federal legislation was signed into law that will provide for a SOFR-based rate plus a spread to replace LIBOR for those contracts without effective fallback provisions.

With respect to an investment in SOFR-linked products and products that will fallback to SOFR, you should understand the terms of the particular product and the related risks. The composition and characteristics of SOFR are not the same as LIBOR and, as a result, SOFR may not perform in the same way as LIBOR would have. Further, the SOFR-linked products that have been issued to date apply different market conventions to calculate interest and therefore these products have different risks and considerations.

Affiliates of MSWM participate on central bank committees that have been selecting alternative rates and developing transition plans for trading these new rates. In addition, MSWM and its affiliates may have interests with respect to LIBOR- and SOFR-linked products that conflict with yours as an investor. As with any investment, make sure you understand the terms of any LIBOR- and SOFR-based products you hold and the terms of those that you are considering purchasing. Other products and services offered by or through MSWM or its affiliates, such as loans and mortgage products, may have different terms and conditions and may be affected by the potential replacement of LIBOR differently than LIBOR-based securities.

This is a developing situation and the above information is subject to change. For more information on the potential replacement of LIBOR, the recommended alternative rate, SOFR, and certain considerations relating to LIBOR- and SOFR-linked products, please see [www.morganstanley.com/wm/LIBOR](http://www.morganstanley.com/wm/LIBOR). Please also contact a member of your Morgan Stanley team for information, including if you have questions about whether you hold LIBOR-based products.

## Code of Ethics

The MSWM US Investment Advisory Code of Ethics (“Code”) applies to MSWM’s employees, supervisors, officers, and directors engaged in offering or providing investment advisory products and/or services (collectively, the “Access Persons”). In essence, the Code prohibits Access Persons from engaging in securities transactions or activities that involve a material conflict of interest, possible diversion of a corporate opportunity, or the appearance of impropriety. Access Persons must always place the interests of MSWM’s clients above their own and must never use knowledge of client transactions acquired in the course of their work to their own advantage. Supervisors are required to use reasonable supervision to detect and prevent any violations of the Code by the individuals, branches, and departments that they supervise.

The Code generally operates to protect against conflicts of interest either by subjecting activities of an Access Person to specified limitations (including pre-approval requirements) or by prohibiting certain activities. Key provisions of the Code include:

- The requirement for certain Access Persons, because of their potential access to non-public information, to obtain their



supervisors' prior written approval or provide pre-trade notification before executing certain securities transactions for their personal securities accounts;

- Additional restrictions on personal securities transaction activities applicable to certain Access Persons (including Financial Advisors and other MSWM employees who act as portfolio managers in MSWM investment advisory programs);
- Requirements for certain Access Persons to provide initial and annual reports of holdings in their securities accounts, along with quarterly transaction information in those accounts; and
- Additional requirements for pre-clearance of other activities including, but not limited to, Outside Business Activities, Gifts and Entertainment, and U.S. Political Contributions and Political Solicitation Activity.

You can obtain a copy of the Code from your Financial Advisor.

*See Item 6.B above, for a description of Conflicts of Interest.*

### **Trade Errors**

Whether made by MSWM, by agents acting on our behalf, or by or on behalf of an Executing Sub-Manager, trade errors do occur from time to time. MSWM maintains policies and procedures to ensure timely detection, reporting, and resolution of trade errors involving client accounts. In general, once a trade error has been identified, we take prompt, corrective action, returning the client's account to the economic position it would be in absent the error. Once the trade error is resolved with respect to the client's account, the handling of any resulting gain or loss can vary depending on the circumstances and the specific type of error; typically, however, any net gain or loss is either booked to the relevant error account or, in certain situations resulting in a net gain, donated to the Morgan Stanley Foundation.

### **Reviewing Accounts**

At account opening, your Financial Advisor and his or her supervisor (or the supervisor's designee) confirm that the account type, program, and investment strategy are appropriate for you.

Your Financial Advisor is then responsible for monitoring your account on an ongoing basis. MSWM also monitors your accounts on a periodic basis (e.g., identifying and reviewing accounts with a high cash balance and inactive accounts).

*See Item 4.A above for a discussion of account statements and periodic reviews provided for your account.*

### **Client Referrals and Other Compensation**

See "Payments from Investment Managers" and "Payments from Mutual Funds" in Item 6.B above.

MSWM may compensate affiliates and unaffiliated third parties for client referrals in accordance with Rule 206(4)-1 of the

Advisers Act. If you open an account in an investment advisory program, the compensation paid to any such entity will typically consist of an ongoing cash payment stated as a percentage of MSWM's advisory fee or a one-time flat fee, but may include cash payments determined in other ways.

### **Financial Information**

We are not required to include a balance sheet in this Brochure because we do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

We do not have any financial conditions that are reasonably likely to impair our ability to meet our contractual commitments to clients.

MSWM and its predecessors have not been the subject of a bankruptcy petition during the past 10 years

## **Exhibit A**

### **Tax Management Terms and Conditions**

These Tax Management Terms and Conditions apply only to Select UMA clients who have notified their Financial Advisor that they have elected Tax Management services.

#### **A. INTRODUCTION**

Morgan Stanley Smith Barney LLC ("MSWM") is the sponsor of the Select UMA® program. Tax Management Services, as described in these Terms and Conditions ("Tax Management Services"), are available for Select UMA accounts. In order to receive Tax Management Services, you must inform your Financial Advisor or Private Wealth Advisor (collectively, "Financial Advisor") that you desire Tax Management Services and what Maximum Tax and Realized Capital Gain Instructions (see B. Below) you elect for your Select UMA account (the "Account"). These Terms and Conditions will govern the Tax Management Services provided in the Account. Tax Management Services enable you to instruct MSWM to seek to limit net realized capital gains (which are taxable for many investors) from transactions in equity securities in the equity separate account sleeve(s) (as well as in transactions in certain exchange traded funds ("ETFs") and mutual funds) in the Account, as and to the extent described in this form. MSWM incorporates the instructions provided in accordance with this form (the "Instructions") into the Tax Management Services it provides until you or MSWM terminates the Tax Management Services or changes these Instructions by notifying your Financial Advisor.

Please review all sections of these Terms and Conditions carefully for important information about Tax Management Services, including the significant limitations and increased risk of loss associated with Tax Management Services. Tax Management Services do not constitute a complete tax-sensitive management program and neither MSWM nor any of its affiliates provides tax advice or guarantees that Tax Management Services will produce a particular tax result. You should consult a tax advisor in deciding whether to elect Tax Management Services, what Instructions to provide in Section B below, and whether, when and how to update such Instructions. Additionally, if you may be subject to foreign taxation, you should consult your tax advisor to determine whether Tax Management Services are appropriate.

#### **B. REALIZED CAPITAL GAIN AND/OR LOSS INSTRUCTIONS FOR THIS ACCOUNT**

**You must provide a tax mandate, or indicate that no tax mandate is desired, by notifying your Financial Advisor, per the Instructions listed below in this Section B.** For capital gains limits, utilize Instruction (1), (2) or (3) below by notifying the Financial Advisor of the desired dollar amount(s) for each Instruction. Use Instruction (7) below if no Maximum Tax Bill or Net Gain is desired. Use Instruction (4) below by notifying the Financial Advisor of the desired maximum time period for this Instruction. For capital loss preferences, utilize Instruction (5), (6), or (7) below by notifying the Financial Advisor of the desired interval, dollar and/or percentage amount(s) for each Instruction. Carefully review all Sections of this form for important related information, including the significant limitations and increased risk of loss associated with Instructions. Please note that previously realized capital gains or losses in an account during a current calendar year, in addition to gains or losses in your other related accounts, may impact our ability to manage the account in accordance with your selected tax mandate.

1. **Maximum TAX BILL Instruction** (Based on Assumed Tax Rates) -- Each calendar year, seek to limit Federal tax bill from net capital gains realized in the Account to the amount specified to the Financial Advisor. Delay transactions if necessary to do so. For this purpose, calculate tax using assumed tax rates of 40.8% for short-term gains and 23.8% for long-term gains. Because your actual tax rates may vary from the assumed tax rates in this Instruction (for example, because of state and local taxes and/or alternative minimum tax), actual tax liability from realized gains may exceed any dollar amount specified in this Instruction. Please see Section C.7. below, for information on possible consequences of MSWM delaying transactions in order to comply with this Instruction.
2. **Maximum NET GAIN Instruction** -- Each calendar year, seek to limit the aggregate of net short-term and long-term gains realized in the Account to the amount specified to the Financial Advisor. Delay transactions if necessary to do so. Please see Section C.7. below, for information on possible consequences of MSWM delaying transactions in order to comply with this Instruction.

3. **Maximum NET SHORT-TERM AND LONG-TERM GAIN Instructions** -- Each calendar year, seek to limit net short-term gains and net long-term gains realized in the Account to the amount specified to the Financial Advisor. Delay transactions if necessary to do so. Please see Section C.7. below, for information on possible consequences of MSWM delaying transactions in order to comply with this Instruction.
4. **Short-Term Tax Lot Delay Instruction** - For this purpose, in addition to any Instruction provided to the Financial Advisor, seek to delay the realization of a short-term capital gain tax lot(s), if such tax lot(s) is to become long-term within a period of time specified to the Financial Advisor, not to exceed a maximum of 90 days. Delay transactions if necessary to do so. Please see Section C.7., below, for information on possible consequences of MSWM delaying transactions in order to comply with this Instruction.
5. **Maximum Net Tax-Loss Preference Instruction** – At each time interval (monthly, quarterly, semi-annual, annual), and/or at any time opportunistically during a calendar year, seek to target the aggregate of net short-term and long-term unrealized tax losses for tax loss selling purposes in Wash Rule Eligible Securities, as described in Section C, below, in the Account to an amount specified by client to the Financial Advisor. Please see Section C, below, for information on possible consequences of Tax-Loss Selling regardless of whether you provided Instruction or indicated no mandate is desired.
6. **Minimum Security-level Tax-Loss Preference Instruction** – Consistent with section B.5., above, at each time interval (monthly, quarterly, semi-annual, annual), and/or at any time opportunistically during a calendar year, seek to target the minimum tax loss amount per security for tax loss selling purposes in Wash Rule Eligible Securities, to an amount specified by client to the Financial Advisor. Please see Section C, below, for information on possible consequences of Tax-Loss Selling regardless of whether you provided Instruction or indicated no mandate is desired.
7. **No Client Tax-Loss Preference Instruction** – Seek to target the aggregate of net short-term and long-term losses for tax loss selling purposes, consistent with Section C, below.

## **C. CERTAIN IMPORTANT SERVICE FEATURES AND OTHER DISCLOSURES**

The provisions of this Section C apply regardless of whether you provided a mandate or indicated that no mandate is desired, in accordance with Section B above.

1. **Limited Scope of Tax Management Services.** Tax Management Services: (a) does not affect management of any separate account sleeve included in your Account and managed by an Executing Sub-Manager; (b) does not consider dividends in your Account or any assets, transactions or other activity outside the Account; and (c) seeks to exclude in tax loss selling any Master Limited Partnerships for which an IRS Schedule K-1 is sent to you, but does not guarantee the accuracy of its identification.
2. **Changes to Tax Management Instructions.** A future change in your tax status and/or other tax-related developments, including gains or losses outside your Account, may prevent the Tax Management Services from producing the tax-related effects you desire and may make it advisable for you to change the Instructions provided on this Form. You should contact your Financial Advisor to make any changes in the Instructions. Unless MSWM requires written notice of changes in these Instructions, you may provide MSWM with oral notice of any such changes.
3. **Tax-Loss Selling. For the purposes of these Instructions.** “Wash Rule Eligible” securities shall be equity, ETF, and mutual fund securities in your Account (other than Master Limited Partnerships for which an IRS Schedule K-1 is sent to you) for which a capital loss could be realized as a result of a sale, under the IRS “wash sale rules”. In identifying Wash Rule Eligible securities, MSWM will consider only identical securities, and only transactions in securities that take place in your Account. MSWM will seek to identify Wash Rule Eligible Securities, though it cannot guarantee that a “wash sale” won’t occur. Moreover, there is no guarantee that the IRS will not view the replacement security as substantially identical to the sold security, thereby resulting in a “wash sale”. Unless otherwise instructed by Client to the Financial Advisor, and in accordance with tax loss Instruction provided in Section B., above, if any net capital gains have been realized as of any eligible trading day of the month of any or all of calendar quarter(s) 1, 2, and/or 3, MSWM will, within the remaining eligible trading days of such month and subject to the following sentences, sell Wash Rule Eligible Securities (due to round-trip trading rules set forth by mutual fund company prospectus, mutual fund securities included only during quarters 2 and 4), to the extent needed (and available) to realize capital losses offsetting such realized net capital gains. If any unrealized losses are available as of any eligible trading day of the last calendar quarter, MSWM will, within the remaining eligible trading days of the month and subject to the following sentence, sell Wash Rule Eligible Securities (including mutual fund securities), in an effort to realize a net loss of \$3,000. Additionally, if, at any time during a calendar year, unrealized losses totaling an amount equal to, or greater than, ten (10%) percent of the total account market value become available and to the extent your Account does not have an inception date more recent than thirty (30) business days of such occurrence, MSWM will sell all Wash Rule Eligible Securities

(excluding mutual fund securities). To realize losses as provided in the previous sentences, MSWM will only sell Wash Rule Eligible Security positions held at a dollar loss that is equal to or greater than \$1000 for Accounts of more than \$10 million and where the underlying unrealized tax lots hold an equal to or greater than 5% loss to such lots original cost basis (\$500 for Accounts of \$5 million to \$10 million, \$300 for Accounts of \$1 million to \$5 million, and \$100 for Accounts less than \$1 million). In effecting such sales, MSWM will give first priority to selling any Wash Rule Eligible security positions that are not recommended as part of the selected Investment Portfolio (“Non- Model Securities”) and second priority to selling Wash Rule Eligible security positions that are recommended as part of such Portfolio (“Model Securities”). In each case, the position with the largest dollar loss will be sold first (regardless of whether any gain or loss is long-term or short-term). This approach may result in (a) the Account’s holdings of Model Securities varying significantly from the recommendations of the Sub-Manager(s) selected for the Account, and (b) the Account missing future gains on securities sold in accordance with the foregoing. During the tax loss selling periods, MSWM will seek to invest the sale proceeds in an ETF recommended by either the Asset Manager who delivers the Model Securities’ model, or if such decision is deferred by Asset Manager, MS&Co.’s GIMA research coverage team, representing a broad portion of the applicable security market (may be predominantly or wholly U.S.). In the event that an ETF cannot be purchased without violating wash sale rules, the sale proceeds will remain in cash. Thirty-one (31) days after the purchase of any such ETF for tax loss selling purposes, MSWM will sell the ETF, to the extent then consistent with the selected Investment Portfolio, and invest the proceeds in the Model Security originally sold at a loss. In addition, an Instruction will be applied to sales of ETFs acquired and temporarily held at your direction in connection with client-directed tax loss harvesting. MSWM will not sell ETFs in this situation if the sales result in realized gains that exceed the Instructions provided by you as described in Section B, above.

4. **Wash Sale Rules.** Tax Management Services will attempt to prevent certain wash sale violations. If a security is sold at a loss, the security will not be re-acquired for a separate account sleeve of the Account within thirty (30) days after the date of sale. If the sold security is, or after the sale becomes, a Model Security, such security will be purchased for the Account after such thirty (30) day period expires, if it is then still a Model Security. However, if a security is sold at a loss, and had been purchased within thirty (30) days prior to the date of such sale, no prevention of wash sale violation will be applied to allow for active risk management and/or necessary liquidations to occur, if any.
5. **Withdrawals, Fee Payments & ETFs.** If sale transactions needed to generate funds for withdrawals or Account fee payments would result in realized net gains exceeding an applicable Instruction, MSWM will generate funds for such withdrawals and payments by giving first priority to selling any Wash Rule Eligible Non-Model Security positions that are not held at a gain; second priority to selling Wash Rule Eligible Model Security positions that are held at a loss (largest dollar losses are realized first); third priority to selling any Wash Rule Eligible Non-Model Security positions held at a gain (largest dollar gains are realized first); and fourth priority to selling Wash Rule Eligible Account Model Security positions as needed to eliminate any overweights in such positions (largest overweights are eliminated first). This approach may result in the Account’s realization of net gains that exceed an applicable Instruction and also may result in the Account’s holdings of Model Securities varying significantly from the recommendations of the Sub-Manager(s) selected for the Account.
6. **Increased Risk of Loss.** Tax Management Services involve an increased risk of loss because they may result in the Account not receiving the benefit (e.g., realized profit, avoided loss) of securities transactions and/or rebalancings that would otherwise take place in accordance with investment decisions of MSWM, Client Instruction, or investment recommendations of Sub-Managers selected for the Account. For example, if at any point during a calendar year, sales of securities in the Account’s equity separate account sleeve(s) during such year have resulted in the specified maximum tax (calculated using the assumed tax rates) or net capital gains, no more net capital gains will be realized in the Account during the remainder of the year (unless offsetting losses are first realized). This may result in recommended security sale and/or purchase transactions and/or rebalancings made for other client accounts not being effected for your Account. Any tax-related benefits that result from Tax Management Services may be negated or outweighed by investment losses and/or missed gains (realized and unrealized) that also may result.
7. **Delayed Transactions.** A transaction that is not effected for the Account when made for other client accounts because of an Instruction to limit capital gains will be implemented for the Account when the transaction is no longer inconsistent with the gain Instruction, if the transaction is then consistent with the applicable Sub-Manager’s model portfolio or the rebalancing decisions of MSWM. If multiple transactions not effected because of an Instruction simultaneously become consistent with the Instruction, priority is given to effecting the largest proceeds by market value and least gains of such transaction, followed by the next largest and so on. A transaction not effected for the Account because of an Instruction to delay tax lot realization consistent with Section(s) B.1 – B.4., above, will be effected when tax lots become eligible to realize consistent with Instruction.

8. **Funding Account with Securities.** You may fund the Account in whole or in part with equity and/or fixed income securities acquired outside the Account (“Transferred Securities”). Funding the Account with Transferred Securities could result in the Account being invested in a concentrated number of securities. You understand and acknowledge that when an Account is invested in a concentrated number of securities, a decline in the value of these securities would cause the value of the Account to decline to a greater degree than that of a less concentrated portfolio. MSWM will sell each Wash Rule Eligible Transferred Security promptly after it is transferred into the Account and invest the proceeds in accordance with the Investment Portfolio selected for the Account, unless and to the extent that (a) the Transferred Security is then recommended as part of such Portfolio, or (b) subject to the Non-Model security limitation described below, the sale of the Transferred Security would be contrary to an applicable Instruction. The aggregate value of Transferred Security positions that are Non-Model Securities may not exceed 85% of the Account’s total market value, including any separately managed account managed sleeve(s), at Account inception or any later time a Non-Model Security is transferred into the Account. If this limitation is exceeded, MSWM will attempt to notify you verbally or in writing so you can take action to bring the Account into compliance with the Non-Model limitation. If no such action is taken and the limitation is still exceeded sixty (60) calendar days later, MSWM will sell as much of the Account’s Non-Model Security positions as is necessary to bring the Account into compliance with the limitation, without regard for any gains that may be realized. MSWM will sell the Account’s Non-Model Security positions representing the largest proceeds relative to unrealized gains first, then the next largest Non-Model Security proceeds, and so on.
9. **Certain Non-Model Security Disclosures.** (a) Account fees payable by you will be based in part on the value of any Non-Model Security held in an equity separate account sleeve of the Account; and (b) No discretionary or non-discretionary advice as to the investment merits of continuing to hold a Non-Model Security will be provided as part of the Program and thus there will be an increased risk of loss associated with holdings of Non-Model Securities—the larger any such holding, the greater such risk of loss. Holding Non-Model Securities in your Account may adversely impact investment performance.
10. **Tax Lot Sales Prioritization.** When selling a security that is held in two or more tax lots except as provided in Section C.3 and/or C.5. above, MSWM will seek to minimize the capital gains tax consequences of the sale (and in doing so may consider the holding periods (long-term or short-term) of the securities sold).

#### **D. CLIENT ACKNOWLEDGMENT AND AGREEMENT**

You select Tax Management Services, as described in this form, for the Account and acknowledges and agrees that: (i) Client has read, understands and accepts this entire form, including without limitation the Instruction(s) given in Section B above and all risk, service limitations and other disclosures included in Sections A, B, C and D of this form; (ii) this form supersedes and replaces any Select UMA Tax Management Services form previously provided, or tax management instructions previously given, by you for the Account designated, and is effective on the date it is received by MSWM; (iii) Tax Management Services do not constitute tax advice or a complete tax management program; (iv) neither MSWM, any Sub-Manager, nor any of their respective employees and affiliates provide tax advice, tax planning advice or legal advice; (v) the Tax Management Services are based on, and depend substantially on, information and instructions provided by Client, which information and instructions are your sole responsibility; (vi) in providing the Tax Management Services, MSWM will rely on the information provided by you on this form, and to the extent such information is inaccurate or incomplete, the Tax Management Services provided may be adversely affected; (vii) there is no guarantee that the Tax Management Services will produce the desired tax results; (viii) the Tax Management Services may result in the Account not receiving, in whole or in part, the benefit (e.g., realized profit, avoided loss) of rebalancing and/or securities transactions that would have been effected if you had not selected Tax Management Services for the Account; (ix) the Tax Management Services may cause the composition and performance of the Account to vary significantly from the composition and performance of other client accounts, including without limitation accounts for which Tax Management Services have not been selected; (x) any tax benefits resulting from Tax Management Services may be exceeded or outweighed by investment losses and/or missed gains (realized and unrealized) that also result from Tax Management Services; (xi) you understand and accept the Tax Management Services and their associated risks, including without limitation the increased risk of loss associated with any Instructions given by you in Section B of this form and the continued holding of any Non-Model Securities transferred into the Account by you; (xii) you have concluded that the Tax Management Services are appropriate for your circumstances and (xiii) MSWM may amend these Tax Management Terms and Conditions, or terminate Tax Management Services with respect to your Account, by giving written notice to you. MSWM does not provide tax or legal advice. Any taxpayer should seek advice based on the taxpayer’s particular circumstances from an independent tax advisor.

## **Exhibit B**

### **Affiliated Money Market Funds Fee Disclosure Statement and Float Disclosure Statement**

#### **Sweep Vehicles in Retirement Accounts**

Retirement Accounts generally effect sweep transactions of free credit balances into Deposit Accounts established under the Bank Deposit Program (“BDP”).

The table below describes the fees and expenses charged to assets invested in shares of the Money Market Funds in which the account invests (expressed as a percentage of each fund’s average daily net assets for the stated fiscal year).

- The rate of Advisory Fee and Distribution and Service Fees (including 12b-1 fees) (whether in basis points or dollars) cannot be increased without first obtaining shareholder approval.
- Expenses designated as “Other Expenses” include all expenses not otherwise disclosed in the table that were deducted from each fund’s assets or charged to all shareholder accounts in the stated fiscal year (and may change from year to year).

These fees and expenses are generally paid to MSIM, MSWM and/or its affiliates for services performed. The aggregate amount of these fees is stated in the tables below. The amounts of expenses deducted from a fund’s assets are shown in each fund’s statement of operations in its annual report.

MSIM and/or its affiliates may, from time to time, waive part or all of its advisory fee or assume or reimburse some of a fund’s operating expenses (this may be for a limited duration.). Such actions are noted in the fund’s prospectus and/or statement of additional information. The table below shows the Total Annual Fund Operating Expenses (before management fee waivers and/or expense reimbursements) and the Total Annual Fund Operating Expenses After Fee Waivers and/or Expense Reimbursements.

MSWM expects to provide services as a fiduciary (as that term is defined under ERISA or the Code) with respect to Retirement Accounts. MSWM believes that investing in shares of the funds for sweep purposes is appropriate for Retirement Accounts because using professionally managed Money Market Funds allows you to access cash on an immediate basis, while providing a rate of return on your cash positions pending investment. As is typical of such arrangements, we use only affiliated money funds for this purpose.

MSWM believes that investing a Retirement Account’s assets in the Deposit Accounts is appropriate. Terms of the BDP are further described in the BDP Disclosure Statement

(available at: [http://www.morganstanley.com/wealth-investmentstrategies/pdf/BDP\\_disclosure.pdf](http://www.morganstanley.com/wealth-investmentstrategies/pdf/BDP_disclosure.pdf)).

The fund expense information below reflects the most recent information available to us as of January 31, 2022, and is subject to change. Please refer to the funds’ current prospectuses, statements of additional information and annual reports for more information.

| <b>Fund</b>  | <b>Advisory Fee</b> | <b>Distribution and<br/>Service Fees</b> | <b>Shareholder<br/>Service Fee</b> | <b>Other<br/>Expenses</b> | <b>Total Annual<br/>Fund Operating<br/>Expenses</b> | <b>Total Annual Fund<br/>Operating Expenses<br/>After Fee Waivers<br/>and/or Expense<br/>Reimbursements</b> |
|--|---------------------|--|------------------------------------|---------------------------|---|---|
| MSILF Government<br>Securities- Participant<br>Share Class | 0.15%               | 0.25%                                    | 0.25%                              | 0.07%                     | 0.72%   | 0.45%   |
| MS U.S. Government<br>Money Market Trust                   | 0.15%               | N/A                                      | 0.10%                              | 0.11%                     | 0.36%   | 0.36%   |

### **Interest Earned on Float**

If MSWM is the custodian of your account, MSWM retains as compensation, for providing services, the account's proportionate share of any interest earned on cash balances held by MSWM (or an affiliate) with respect to assets awaiting investment including:

- new deposits to the account (including interest and dividends) and
- uninvested assets held by the account caused by an instruction to the custodian to buy and sell securities (which may, after the period described below, be automatically swept into a sweep vehicle). This interest is generally at the prevailing Federal Funds interest rate.

Generally, with respect to such assets awaiting investment:

- when the custodian receives the assets on a day on which the NYSE is open ("Business Day") and before the NYSE closes, the custodian earns interest through the end of the following Business Day; and
- when the custodian receives the assets on a Business Day but after the NYSE closes, or on a day which is not a Business Day, the custodian earns interest through the end of the second following Business Day.

## **Exhibit C**

### **MAPS Strategies and Methods of Analysis**

#### **1. Investment Solutions Investment Committee**

***Multi-Manager Alternatives Strategy:*** This is an actively managed strategy that invests in mutual funds and ETFs that are generally registered under the Investment Company Act of 1940, as amended, that seek to pursue alternative investment strategies or returns. This Strategy's primary objective is capital appreciation, and it seeks to deliver a long-term risk and return profile similar to the strategies employed by a diversified universe of hedge funds.

#### **2. Consulting Group Investment Committee**

- a. *Managed Advisory Portfolio Solutions: Strategic 10 Dividend Strategy:*** This is an actively managed strategy that seeks as its primary investment objective long-term capital appreciation. The portfolios are individually managed using a disciplined approach (the "Discipline") to identify and maintain a select portfolio of stocks from the 30 components of the Dow Jones Industrial Average (the "Index"). The Discipline uses dividend yield as the primary criterion for portfolio selection. Generally, the Discipline invests in the ten highest-yielding stocks in the Index. Individual accounts are invested on a daily basis (as clients select the Strategic 10 Dividend Strategy for their accounts), purchasing the ten highest-yielding stocks in the Index as of the time of the immediately previous re-balance for the Strategy (i.e., on or around the beginning of that calendar year). Accounts are generally restructured and rebalanced annually, on or around the beginning of each calendar year. Generally, MSWM will allow a full year to elapse before the next rebalancing (to allow for long term capital gain treatment). There may be some circumstances when MSWM will deviate from the Discipline and make adjustments to the portfolios. Applicable law or regulation may prohibit MSWM from purchasing the stock of Morgan Stanley or affiliates, or securities where MSWM affiliates are performing investment banking or other services, for portfolios if such securities were to meet the selection criteria described above. In such event, MSWM may substitute one or more other stocks (for example, the 11th highest-yielding stock in the Index) for the stock(s) that it is unable to purchase, and/or increase the weightings of the remaining stocks that fit the Discipline's selection criteria.
- b. *Managed Advisory Portfolio Solutions: US Model:*** This actively managed US equity strategy seeks to outperform the S&P 500 Index. The portfolio primarily invests in large and mid-capitalization US equities. The strategy combines growth and value style investing and is inspired by Morgan Stanley Wealth Management Global Investment Office Model Portfolio Solutions team's research and an overlay of quantitative analysis by Morgan Stanley Wealth Management Global Investment Office strategists. That research and quantitative analysis is leveraged by the Consulting Group Investment Committee to create the portfolio. The strategy looks to identify attractively valued securities with strong long-term fundamentals.
- c. *Managed Advisory Portfolio Solutions: Dividend Equity:*** This actively managed US equity strategy seeks to outperform the S&P 500 Value Index. The portfolio primarily invests in large and mid-capitalization US equities with an emphasis on high- quality, dividend-paying stocks have provided investors a higher total return with lower risk than the S&P 500. The strategy is inspired by Morgan Stanley Wealth Management Global Investment Office Model Portfolio Solutions team's research and an overlay of quantitative analysis by Morgan Stanley Wealth Management Global Investment Office strategists. That research and quantitative analysis is leveraged by the Consulting Group Investment Committee to create the portfolio. The strategy looks to identify attractively valued securities with strong long-term fundamentals.
- d. *Managed Advisory Portfolio Solutions: US Long Run Value:*** This actively managed US equity strategy seeks to outperform the Russell 1000 Value Index. The portfolio primarily invests in large and mid-capitalization US equities. The strategy invests in underappreciated, out-of-favor companies trading at deeply discounted values and is inspired by Morgan Stanley Wealth Management Global Investment Office Model Portfolio Solutions team's research and an overlay of quantitative analysis by Morgan Stanley Wealth Management Global Investment Office strategists. That research and quantitative analysis is leveraged by the Consulting Group Investment Committee to create the portfolio. The strategy looks to identify attractively valued securities with strong long-term fundamentals.
- e. *Managed Advisory Portfolio Solutions: US All Cap Growth:*** This actively managed US equity strategy seeks to outperform the Russell 1000 Growth Index. The strategy seeks to invest in large-cap, "stable growth" leaders in their business, with an additional emphasis on smaller, "emerging growth" stocks and is inspired by Morgan Stanley Wealth Management Global Investment Office Model Portfolio Solutions team's research and an overlay of quantitative analysis by Morgan Stanley Wealth Management Global Investment Office strategists. That research and quantitative analysis is leveraged by the Consulting Group Investment Committee to create the portfolio. The strategy looks to identify attractively valued securities with strong long-term fundamentals.



- f. *Managed Advisory Portfolio Solutions: Global Equity:*** This actively managed global equity strategy seeks to outperform the MSCI All Country World Index. The portfolio primarily invests in large-cap global equities. The strategy invests in US and non-US companies to seek long-term capital appreciation and is inspired by Morgan Stanley Wealth Management Global Investment Office Model Portfolio Solutions team's research and an overlay of quantitative analysis by Morgan Stanley Wealth Management Global Investment Office strategists. That research and quantitative analysis is leveraged by the Consulting Group Investment Committee to create the portfolio. The strategy looks to identify attractively valued securities with strong long-term fundamentals.
- g. *Managed Advisory Portfolio Solutions: Global Dividend:*** This actively managed global equity strategy seeks to outperform the MSCI All Country World Index. The portfolio primarily invests in large-cap global equities. The strategy invests in US and non-US companies to seek long-term capital appreciation with an above average dividend yield and is inspired by Morgan Stanley Wealth Management Global Investment Office Model Portfolio Solutions team's research and an overlay of quantitative analysis by Morgan Stanley Wealth Management Global Investment Office strategists. That research and quantitative analysis is leveraged by the Consulting Group Investment Committee to create the portfolio. The strategy looks to identify attractively valued securities with strong long-term fundamentals.
- h. *Managed Advisory Portfolio Solutions: Core Plus Fixed Income (ETFs):*** This actively managed core plus fixed income strategy seeks to outperform the Barclays Aggregate Index. The portfolio primarily invests in fixed income exchange traded funds (ETFs). The strategy looks to provide exposure to US core fixed income markets as well as selective exposures to noncore sectors and is inspired by Morgan Stanley Wealth Management Global Investment Office Model Portfolio Solutions team's thought leadership. That information is leveraged by the Consulting Group Investment Committee to create the portfolio.
- i. *Managed Advisory Portfolio Solutions: International Core Equity (ETFs):*** This actively managed international core equity strategy seeks to outperform the MSCI All-Country World ex-US Index over a market cycle by investing in a diversified, risk-managed basket of international developed and emerging market equity exchange-traded funds (ETFs). The portfolio leverages insights from the Global Investment Committee's (GIC) Dynamic Allocation and Tactical Equity Frameworks. Concentrating on a one- to 12-month time horizon, the strategy shifts the portfolios' equity allocation based on changing fundamental and technical conditions. The strategy adjusts the portfolio's over- and underweight exposures in line with what the Frameworks perceive as relatively bullish and bearish environments for a series of core exposures and rebalances on an every-two-months basis. That information is leveraged by the Consulting Group Investment Committee to create the portfolio.
- j. *Managed Advisory Portfolio Solutions: Global Core Equity (ETFs):*** This actively managed global core equity strategy seeks to outperform the MSCI All-Country World Index over a market cycle by investing in a diversified, risk-managed basket of global developed and emerging market equity exchange-traded funds (ETFs). The portfolio leverages insights from the Global Investment Committee's (GIC) Dynamic Allocation and Tactical Equity Frameworks. Concentrating on a one- to 12-month time horizon, the strategy shifts the portfolios' equity allocation based on changing fundamental and technical conditions. The strategy adjusts the portfolio's over- and underweight exposures in line with what the Frameworks perceive as relatively bullish and bearish environments for a series of core exposures and rebalances on an every-two-months basis. That information is leveraged by the Consulting Group Investment Committee to create the portfolio.
- k. *Managed Advisory Portfolio Solutions: Impact Solutions Global Equity:*** This actively managed global equity strategy seeks to outperform the MSCI All Country World Index, through the selection of companies that are fundamentally well-positioned, exhibit positive environmental and social practices and have revenue exposure to one or more of MS&Co.'s Global Sustainability Themes. In addition, the strategy avoids companies that derive significant revenue from tobacco, weapons and/or gambling related businesses. The strategy is optimized to limit tracking error to the broad global equity MSCI ACWI Index. The strategy is inspired by Morgan Stanley Wealth Management Global Investment Office Investing with Impact team's thought leadership. That information is leveraged by the Consulting Group Investment Committee to create the portfolio.
- l. *Managed Advisory Portfolio Solutions: Impact Solutions US Equity:*** This actively managed US equity strategy seeks to outperform the Russell 3000 Index, through the selection of companies that are fundamentally well-positioned, exhibit positive environmental and social practices and have revenue exposure to one or more of MS&Co.'s Global Sustainability Themes. In addition, the strategy avoids companies that derive significant revenue from tobacco, weapons and/or gambling related businesses. The strategy is optimized to limit tracking error to the broad US equity Russell 3000 Index. The strategy is inspired by Morgan Stanley Wealth Management Investment Resources Investing with Impact team's thought leadership. That information is leveraged by the Consulting Group Investment Committee to create the portfolio.
- m. *Managed Advisory Portfolio Solutions: Multi-Asset Dynamic Allocation Portfolios:*** These are actively managed portfolios that seek to outperform their blended allocation benchmarks (MSCI All-Country World Index / Bloomberg Barclays U.S. Aggregate Index / Bloomberg Commodity Index / Alerian Midstream Energy Select Index / FTSE EPRA/NAREIT Global Index) over a

market cycle by investing in diversified, risk-managed baskets of global, multi-asset exchange-traded funds (ETFs). The portfolios leverage insights from the Global Investment Committee's (GIC) Dynamic Allocation Framework. Concentrating on a one- to three-month time horizon, the strategy shifts the portfolios' multi-asset allocations dynamically based on changing economic and market conditions. The strategy adjusts the portfolios' over- and underweight exposures in line with what the Framework perceives as bullish and bearish environments for global equities, fixed income, and alternatives. Portfolios are rebalanced on a monthly basis.

- n. *Managed Advisory Portfolio Solutions: US Core Equity (ETFs):*** This actively managed US core equity strategy seeks to outperform the Russell 3000 Index over a market cycle by investing in a diversified, risk-managed basket of US equity exchange-traded funds (ETFs). The portfolio leverages insights from the GIC's Dynamic Allocation and Tactical Equity Frameworks. That information is leveraged by the Consulting Group Investment Committee to create the portfolio. Concentrating on a one- to 12-month time horizon, the strategy shifts the portfolios' equity allocation based on changing fundamental and technical conditions. The strategy adjusts the portfolio's over- and underweight exposures in line with what the Frameworks perceive as relatively bullish and bearish environments for a series of core exposures and rebalances on an every-two-months basis.
- o. *Managed Advisory Portfolio Solutions: US Sector Allocation (ETFs):*** This actively managed US equity strategy seeks to outperform the S&P 500 Index. The strategy gains exposure to US equity markets through exchange-traded funds (ETFs). Those ETFs selected express the sector recommendations of the MS & Co. US Equity Strategy team, headed by Morgan Stanley's Chief Investment Officer and US Equity Strategist. The portfolio strategy is inspired by Morgan Stanley Wealth Management Global Investment Office Model Portfolio Solutions team's thought leadership. That information is leveraged by the Consulting Group Investment Committee to create the portfolio.
- p. *Managed Advisory Portfolio Solutions: Short Duration Enhanced Fixed Income:*** This actively managed strategy invests in mutual funds and ETFs that are generally registered under the Investment Company Act of 1940, as amended, that seek to pursue fixed income strategies or returns. The strategy's primary objective is income, and it seeks to deliver a long-term risk and return profile similar to the strategies employed by a diversified universe of short duration fixed income strategies. The strategy is evaluated relative its blended benchmark 50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays U.S. Government/Credit 1-3 Years.
- q. *MAPS Third Party Strategies:*** Please see the Manager Profile for each MAPS Third Party Strategy, for a Product Overview and description of the Investment Strategy of each of the MAPS Third Party Strategies. You may obtain the Manager Profiles from your Financial Advisor or by going to [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV) and clicking on "Manager Profiles – Select UMA".
- r. *Managed Advisory Portfolio Solutions: Firm Discretionary Tactical ETF Portfolios:*** These are actively managed portfolios that seek to outperform their blended allocation benchmarks (MSCI All-Country World Investible Market Index / Bloomberg Barclays U.S. Aggregate Index / FTSE 3-month T-bill Index) over a market cycle by investing in globally diversified equity and fixed income exchange traded funds (ETFs). The portfolios leverage insights from the Global Investment Committee's (GIC's) equity and fixed income asset allocation advice that are based on client goals. The strategy shifts the portfolios' allocations based on changing economic and market conditions. The strategy adjusts the portfolios' over- and underweight exposures in order to balance the risk and return contributions of the underlying ETFs.
- s. *Managed Advisory Portfolio Solutions: US Mid Cap Equity:*** This actively managed US equity strategy seeks to outperform the Russell Mid Cap Index over a market cycle. The strategy seeks to invest primarily in US-based mid-capitalization companies over a long-term horizon. The strategy is inspired by Morgan Stanley Wealth Management Global Investment Office Model Portfolio Solutions team's research and an overlay of quantitative analysis by Morgan Stanley Wealth Management Global Investment Office strategists. That research and quantitative analysis is leveraged by the Consulting Group Investment Committee to create the portfolio. The strategy looks to identify attractively valued securities with strong long-term fundamentals.
- t. *Managed Advisory Portfolio Solutions: Real Asset Equity Income:*** This actively managed US equity strategy seeks to outperform its blended allocation benchmark (MSCI U.S. REIT Index / S&P North American Natural Resource Index / S&P Utilities Index / Alerian Midstream Energy Select Index) over a market cycle by investing in equities and exchange-traded funds (ETFs). The portfolio primarily seeks to provide income and capital appreciation through exposure to real assets such as Infrastructure, Real Estate, and Natural Resources. The strategy is inspired by Morgan Stanley Wealth Management Global Investment Office Model Portfolio Solutions team's research and an overlay of quantitative analysis by Morgan Stanley Wealth Management Global Investment Office strategists. That research and quantitative analysis is leveraged by the Consulting Group Investment Committee to create the portfolio. The strategy looks to identify attractively valued securities with strong long-term fundamentals.