

Morgan Stanley Smith Barney LLC

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Institutional Consulting

This brochure provides clients with information about Morgan Stanley Smith Barney LLC and the following investment management, consulting and monitoring programs and services they offer:

- Institutional Services Program
- Fiduciary Asset Management
- Graystone MAP

YOU SHOULD READ AND CONSIDER CAREFULLY THE INFORMATION CONTAINED IN THIS BROCHURE BEFORE RETAINING MORGAN STANLEY SMITH BARNEY LLC TO PROVIDE ANY OF THE SERVICES DESCRIBED. THIS INFORMATION HAS NOT BEEN APPROVED OR VERIFIED BY ANY GOVERNMENTAL AUTHORITY.

Schedule H of Form ADV
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SmithBarney**

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INTRODUCTION

Morgan Stanley Smith Barney LLC (“MSSB”), through its Smith Barney channel (hereinafter referred to as “SB”) and its Consulting Group (“CG”) provides a variety of services designed to meet the varying investment advisory and related needs of individual and institutional clients. Each program described in this brochure offers some or all of the following services: selection of, or assistance in selecting, an investment adviser; ongoing evaluation and review of investment advisers; evaluation and review of the composition of selected portfolios; custody; execution; and reports of activity in a client’s account. In the Consulting Group programs, the portfolio management of client accounts is undertaken by investment management firms that may or may not be affiliated with MSSB. Certain programs and services described in this brochure facilitate the retention by a client, or by MSSB on a client’s behalf, of investment management firms for the provision of portfolio management services. Information related to each specific investment manager is contained in a separate brochure, and available upon request through a client’s Financial Advisor.

On January 13, 2009, Morgan Stanley and Citigroup Inc. (“Citi”) agreed to combine the Global Wealth Management Group of Morgan Stanley & Co. Incorporated (“Morgan Stanley”) and the Smith Barney division (“Smith Barney”) of Citigroup Global Markets Inc. (“CGM”) into a new joint venture (the “Transaction”). The Transaction closed on June 1, 2009. The joint venture created as a result of the Transaction owns MSSB, an investment advisor and broker-dealer that is registered with the Securities and Exchange Commission.

MSSB’s advisory services are provided through two distribution channels. One distribution channel generally provides the advisory programs previously provided by Smith Barney and/or CGM and generally provides these programs through the same businesses and retail locations as did Smith Barney and/or CGM (the “SB Channel”). The other distribution channel generally provides the advisory programs previously provided by Morgan Stanley’s Global Wealth Management Group and generally provides these programs through the same businesses and retail locations, as did Morgan Stanley’s Global Wealth Management Group.

As a result of the Transaction, some of the services previously provided by SB are provided by or through MSSB while other services are provided by CGM. CGM is not part of the new joint venture, but continues to provide certain services in relation to Clients’ accounts as described in the section below entitled “Services provided by MSSB and CGM,” which explains the respective roles and functions of CGM and MSSB.

Clients should read and consider carefully the information contained in both this brochure and any relevant investment manager brochure. While MSSB believes that its professional investment advice can work to benefit many clients, there is no assurance that the objectives of any client in any of the programs described will be achieved.

INSTITUTIONAL SERVICES PROGRAM

MSSB and the Consulting Group provide Institutional Services (“IS”) to corporations, Taft-Hartley funds, endowments, foundations, public and private retirement funds (including 401(k) plans) and similar clients with respect to the development of investment policy, asset allocation, investment manager selection and evaluation, performance measurement, and portfolio analysis and attribution. For certain clients, MSSB may also provide information and advice regarding mutual funds and alternative investments. The services provided are tailored to the specific needs of individual clients. In addition to these investment consulting services, CGM also offers custody and trade execution services to IS clients.

Services Provided

Development of Investment Objectives and Policies: The Financial Advisor may work closely with IS clients to develop and/or review its investment policies and objectives and standards for performance review.

Asset Allocation: The Financial Advisor may assist IS clients in the review and recommendation of asset allocation strategies appropriate for the client’s risk and return objectives.

Investment Manager Search: The Financial Advisor shall assist the client in identifying investment management firms for possible retention by the client or by MSSB on the client’s behalf. Manager candidates may be identified by the client or, alternatively, by the Consulting Group itself. Investment Advisor Research (“IAR”) uses two methods to evaluate investment managers. Please review the section titled “Research In Advisory Programs” for more information.

Identification of Exchange Traded Funds: The Financial Advisor shall assist the client in identifying Exchange-Traded Funds for possible retention by the client. IAR uses two methods to evaluate exchange-traded funds, please review the section titled “Research In Advisory Programs” for more information.

Performance Measurement: The Consulting Group may provide the client with customized performance reports using graphic and other analyses. The reports may include comparisons to recognized or customized benchmarks and market segments.

Alternative Investments Consulting: The Consulting Group may provide the client with alternative investments consulting. This is a non-discretionary service, and clients are responsible for executing participation agreements directly with each alternative investment. A complete description of the Alternative Investments Programs, including fees and services, can be found on the preceding pages.

Custody and Statements: As optional services, CGM will provide custody and account statements at least quarterly.

Fees

Fees may be charged quarterly in advance or in arrears. The minimum account size is generally \$10 million. The fees for IS accounts are negotiable and vary based upon a number of factors, including, but not limited to, the type of account, the size of the account, the historical or projected nature of trading for the account, and the number and range of advisory and client-related services to be provided. The maximum annual fee for the Institutional Services Program is 1.35% of assets invested in the program.

In addition, the client may select any of the services listed below subject to the following minimum fees for each and an overall minimum engagement fee of \$15,000:

Historical Analysis	\$2,500 per portfolio per year
Investment Policy Statements	Initial: \$5,000 Update: \$2,500
Strategic Asset Allocation Studies	Initial: \$7,500 Update: \$3,000
Active Asset Allocation (ongoing retainer only)	\$10,000 per year
Asset Liability Analysis	\$15,000 per year
Manager Search	\$5,000 per search
Performance Measurement (ongoing retainer only)	Per portfolio: \$2,000 to \$5,000 per year For combined accounts: \$1,000 to \$2,000 per year

Alternative Investments Performance Reporting Service Provided by MSSB

MSSB also offers IS clients the ability to receive periodic reports that provide historical performance reporting of their alternative investments that were not purchased through MSSB, are not custodied by CGM and are not covered by MSSB research. Client understands and acknowledges that the alternative investment historical performance information provided in this reporting service is based upon information provided, directly or indirectly, to MSSB by the issuer, or its sponsor, investment manager or administrator (“Performance Reporting AI”). MSSB’s ability to provide historical or other performance information on alternative investments is dependent upon its ability to obtain such information from each Performance Reporting AI.

The reporting service enables Client to receive from MSSB periodic reports containing Client’s historic performance for alternative investments as reported by such Performance Reporting AI. Client also may receive composite reports that show historic performance of alternative investments as reported by Performance Reporting AI, along with historic performance of other investments that were/are acquired through MSSB, custodied by CGM and/or followed by MSSB research, and those that are not.

Client understands and acknowledges that the performance information provided in a periodic performance review is based upon information provided to MSSB by the Performance Reporting AI and that MSSB does not independently verify such information. MSSB shall not be liable for any misstatement or omission made by the

Performance Reporting AI for any loss, liability, claim, damage or expense arising out of such misstatement or omission.

The parties agree that this reporting service does not constitute investment advice or a recommendation by MSSB of any alternative investment and MSSB is not evaluating the appropriateness of the initial investment or the continued investment in the investments reported on as part of this performance reporting service. In addition, the parties agree that this reporting service does not constitute, create, or impose a fee-based brokerage relationship, a fiduciary relationship or an investment advisory relationship under the Investment Advisers Act of 1940, as amended, with regard to the investments covered under this service. If Client is an employee benefit plan or is otherwise subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), Client or the fiduciary acting on behalf of Client acknowledges, understands and agrees that MSSB is NOT a fiduciary (as defined in ERISA) with respect to this reporting service and will not become a fiduciary by reason of the Client utilizing this service.

Client acknowledges that MSSB is not responsible for tax reporting in respect of any alternative investment as reported by a Performance Reporting AI.

Please note that CGM or MSSB generally does not maintain custody of alternative investments as reported by a Performance Reporting AI and therefore those investments are not covered by MSSB’s SIPC.

The fee charged to Client pursuant to this Performance Reporting Service shall not include any fees or charges for other services in connection with Client’s participation in any alternative investment or as charged by a Performance Reporting AI for which Client shall be separately and solely responsible.

For purposes of calculating the fee for this service, the market value of the alternative investments shall be based on the then currently available market value, estimated or actual, as reported by the Performance Reporting AI (and that MSSB does not independently verify such information). MSSB shall not be liable for any mistake or miscalculation made by an alternative investment or its Performance Reporting AI, or any loss, liability, claim, damage or expense arising out of such mistake or miscalculation. The fee shall not be charged on committed, but not yet funded investments.

<u>Account Asset Value:</u>	<u>Annual Performance Reporting Fee to Client</u>
First \$5,000,000	0.25%
Next \$5,000,000	0.11%
Next \$15,000,000	0.10%
Next \$25,000,000	0.09%
Next \$50,000,000	0.05%
Next \$100,000,000	0.045%
Over \$200,000,000	Negotiable

INSTITUTIONAL SERVICES PROGRAM – For Participant-Directed Retirement Plans

In addition to the above Institutional Services, MSSB and the Consulting Group may provide the following services to participant directed retirement plans.

Services Provided

Asset Classification. MSSB shall provide the Client with general financial and investment information relating to such concepts as diversification and asset classification with respect to various asset classes and historic rates of return.

Participant Education. MSSB shall provide the Client and/or its employees eligible to participate in Client’s Plan with general financial and investment information relating to such concepts as diversification, asset allocation and historic rates of return.

Fees

Fees may be charged quarterly in advance or in arrears. The fees for Participant-Directed Retirement Plan accounts are negotiable and vary based upon a number of factors, including, but not limited to, the size of the account and the number and range of advisory and client-related services to be provided. The maximum annual fee for the Institutional Services Program is 0.60% of assets in the program.

In addition, the client may select any of the services listed below subject to the following minimum fees for each and an overall minimum engagement fee of \$15,000.

Investment Policy Statements	Initial: \$5,000 (Update: \$2,500)
Asset Style Analysis	Initial: \$7,500 (Update: \$3,000)
Mutual Fund Search	\$5,000 per search
Performance Measurement	Per fund: \$2,000-\$5,000 per year (ongoing retainer only)
Generic Participant Education*	\$1,500 per day

* Participant education is not intended to be a standalone service and will be offered in addition to a full consulting assignment. Participant education can be included as part of the overall asset-based fee or separately at \$1,500 a day rate.

FIDUCIARY ASSET MANAGEMENT PROGRAM

The Fiduciary Asset Management Program (“FAM” or “Fiduciary Asset Management”) is generally for institutional and high net worth clients. In FAM, a client appoints the Portfolio Advisory Services Group of MSSB as the discretionary investment manager, relative to the selection of unaffiliated investment management firms, mutual funds, exchange traded funds or alternative investments (collectively “Investment Products”) to manage the client’s accounts. In addition to investment management, MSSB also provides custodial, trade execution (through CGM as clearing broker for MSSB) and related services for a single asset-based fee. FAM is a discretionary program in which MSSB retains discretion as to the selection of and allocation among Investment Products. The Fiduciary Asset Management program is designed to manage the overall investment management process, including investment policy decisions, asset and investment style allocation decisions, manager selection and review, and comprehensive monitoring of each client’s investment portfolios. Fiduciary Asset Management is operated as a “manager of managers” program.

For certain FAM clients MSSB’s Private Portfolio Group (the “Overlay Manager”) may serve as the discretionary investment manager, relative to the selection of unaffiliated investment management firms, mutual funds or exchange traded funds. In this case the client grants MSSB discretion to (a) select Sub-Managers or Investment Products (excluding alternatives) for the client and (b) change the Sub-Managers or Investment Products. Pursuant to an agreement with MSSB, Overlay Manager shall invest and re-invest the assets in each client account, except that, in certain strategies, Sub-Managers (hereinafter “Executing Sub-Managers”; “Sub-Managers” includes Executing Sub-Managers as the context requires herein) are granted discretion by MSSB to implement recommendations directly. The Overlay Manager will seek to manage the client’s account in a manner consistent with the model and Investment Products selected by MSSB and the Model Portfolio provided by any applicable Sub-Manager, as qualified by any client instructions accepted by the Overlay Manager. MSSB may change the Overlay Manager (which change may involve MSSB selecting an Overlay Manager that is or is not affiliated with MSSB) in its sole discretion at any time and for any reason. If there is a disruption in the services provided by Overlay Manager for any reason, MSSB or an affiliate may act as Overlay Manager during the period of the disruption. This may impact account performance. In addition, in the event of a disruption, MSSB may liquidate the applicable Portfolio (in whole or in part), and invest the proceeds in money market funds or other cash equivalents.

Periodically, Overlay Manager will re-balance the client’s account in accordance with a re-balancing protocol specified by MSSB and agreed to by Overlay Manager. Each Sub-Manager, mutual fund and ETF included as an Investment Product shall be selected from the universe of Sub-Managers, mutual funds and ETFs (which may or may not be affiliated with MSSB) with which MSSB has entered into an agreement, and for which MSSB, an affiliate (or a third

party retained by MSSB or an affiliate) has performed research meeting MSSB's "Access" research standard, or more rigorous "Opinion" research standard, and determined that MSSB can recommend the Investment Product. Please refer to the Section entitled "*Registrant's Manager Research Process: Focus List; Approved List; Alternatives Approved List*" for additional information on the evaluation and selection of mutual funds, ETFs and Sub-Managers comprising Investment Products.

In the event that MSSB makes a determination that an Investment Product previously recommended to a client is no longer approved for the program a replacement Sub-Manager or Investment Product shall be selected by MSSB.

Notwithstanding the preceding paragraphs, if (a) the amount in an Investment Product or Model in a client's account falls below the minimum for that Investment Product or Model (due to re-balancing, market activity or any other reason) or (b) a Sub-Manager elects to terminate its investment advisory relationship with the client, MSSB may (without further consent from the client) transfer the client's assets to another appropriate Investment Product or Model, which Investment Product or Model has a minimum investment for which the client's account qualifies.

Services Provided

In Fiduciary Asset Management, MSSB's Consulting Group manages the client's portfolio on a discretionary basis. MSSB will assume responsibility for the implementation of all investment strategies through the selection-approval and ongoing monitoring of independent Investment Products. Consulting Group assumes full discretion over asset allocation decisions as well as decisions to terminate any Investment Product or sub-advisor relationships, and provides to the client ongoing financial-management services such as investment-performance reporting, administration, trade execution and custody. Based on a client's long-term strategic policy allocation parameters and other investment constraints, Fiduciary Asset Management looks for opportunities in asset classes or investment styles with above average expected rates of return while managing overall portfolio risk in accordance with the client's investment policy. As a "manager of managers," MSSB assumes full responsibility for the ongoing operation of a comprehensive investment-management program in order to:

- Establish fund objectives
- Formulate investment policies
- Allocate assets
- Select investment managers
- Oversee Recordkeeping and reporting
- Control portfolio expenses
- Maintain custody
- Manage ERISA obligations (where applicable)

In order to assess the appropriateness of the underlying assets of the current portfolio, MSSB conducts a review of the investment policy, asset allocation, and fund assets, which follows these key steps:

- Investment Policy Statement – The preparation of an investment policy statement ("IPS") is crucial in the evaluation of the client's risk tolerance and investment objectives. Through the FAM program, MSSB will assist in the determination of the client's absolute needs for liquidity, income, growth of income, growth of principal, and preservation of capital. Developing an IPS assists the client in selecting and developing an investment strategy designed to optimize the probability of achieving their objectives. In addition, the IPS provides a framework, which enables the portfolio manager to properly execute their fiduciary duty.
- Current Portfolio Analysis - MSSB will complete a thorough due-diligence evaluation of the client's current investment programs, including investment structure, individual components of each fund, the fee structure, manager selection process, possible conflicts of interest, peer universe comparison within appropriate asset classes, and ongoing evaluation procedures. The analysis will culminate in a business evaluation of all contracts, custodial documents, and performance monitors, and possibly on-site visits with the client's current service providers.
- Asset Allocation Analysis – In addition to the evaluation of the client's current portfolio structure, MSSB will complete a detailed analysis of asset allocation and the basis for the asset-allocation decisions. The

analysis will be completed to understand and evaluate the modeling process. The asset allocation input estimates the frequency and basis for their updates. This is a key component in MSSB's risk management evaluation for investment portfolios.

Account Information

MSSB provides confirmations for all transactions, as well as account statements at least quarterly. Periodically, clients will receive a Performance Review, which is an extensive statistical review and analysis of the account. Clients may elect to waive the receipt of trade confirmations after the completion of each trade in favor of alternative methods of communication. Clients may also receive mutual fund prospectuses or PPM's, where appropriate.

In the FAM program, a client may request in writing that certain specified securities not be purchased for his or her account. Also, a client generally may specify that certain categories of securities not be purchased. In this event, the Manager will determine in its sole discretion the specific securities that will be treated as falling within the restricted category. In making this determination, the Manager may rely on outside sources, such as standard industry codes and research furnished by independent service providers. In the event client assets are invested in a mutual fund, ETF or alternative fund, the client may not place a restriction on the underlying investment that are held by the fund.

Special Considerations with Investing in Alternatives

As further described in the offering documents, an investment in alternative investments can be highly illiquid, is speculative and not suitable for all investors. Investing in alternative investments is intended for experienced and sophisticated investors only who are willing to bear the high economic risks of the investment. Investors should carefully review and consider potential risks before investing. Certain of these risks may include: loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices; lack of liquidity, in that there may be no secondary market for the fund and none expected to develop; volatility of returns; restrictions on transferring interests in the fund; potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized; absence of information regarding valuations and pricing; complex tax structures and delays in tax reporting; less regulation and higher fees than mutual funds; and advisor risk. Individual funds will have specific risks related to their investment programs that will vary from fund to fund.

Fees

The client pays an asset-based fee to MSSB, which covers investment advisory services, custody of securities, trade execution with or through CGM, as well as compensation to any Financial Advisor. Clients bear the cost of commissions or other transaction charges with respect to securities trades directed by the investment manager to firms other than CGM for execution. Transactions in fixed income and certain other securities may involve dealer mark-ups or markdowns or other charges in addition to the asset-based fees, although generally MSSB will not realize any additional compensation. The maximum annual fee for the Fiduciary Asset Management Program is the sum of the Annual Fee and the Investment Manager Fee. The current maximum annual fee in the FAM program is 2.0% of assets invested in the program.

The client will bear a proportionate share of the fees and expenses incurred by any mutual funds in which the client is invested. The prospectus of each of these funds describes these internal fees and expenses in detail. For more information relating to fees please see the section below entitled "Compensation from Funds."

Fees are negotiable based on a number of factors, which may result in a particular client paying a fee greater or less than the standard fees. Fees are generally payable quarterly in advance. MSSB pays managers generally up to 1.00% for equity, balanced and multi-style accounts and 0.50% for fixed accounts. The portion of such asset-based fee paid by MSSB on to investment management firms depends upon the asset class, the investment style and the total amount of assets allocated to the investment manager in the FAM Program.

INSTITUTIONAL CONSULTING SERVICES MANAGER ASSESSMENT PROGRAM

Financial Advisers that provide Institutional Consulting Services may utilize the Graystone Manager Assessment Program ("Graystone MAP") research platform. MSSB offers Graystone MAP to corporations, Taft-Hartley funds,

endowments, foundations, public and private retirement funds (including 401(k) plans), family offices and high-net-worth individuals. In Graystone MAP, MSSB provides clients with assistance in selecting one or more investment management firms to manage their accounts. CGM may also provide trade execution, custody and related services. The minimum account size is established by the individual investment manager. In Graystone MAP, the client typically enters into an investment advisory contract directly with the investment manager. Graystone's MAP, has leveraged a comprehensive third-party investment manager database to assist Financial Advisors in narrowing the list of potential investment managers before conducting further qualitative analysis.

Services Provided

In Graystone MAP, the Financial Advisor analyzes a client's investment objectives and recommends one or more investment management firms in light of those objectives. Recommended managers are independent of MSSB. MSSB does not exercise discretion for clients with respect to the retention of an investment manager; instead, MSSB makes recommendations, which the client may or may not follow. The client enters into an agreement with MSSB relating to its services and also into a separate investment advisory agreement with the investment manager. The manager is responsible for the implementation of any restrictions placed by the client on the account. There are no restrictions on the client's ability to contact and consult directly with an investment manager, although clients are encouraged to discuss their accounts with their Financial Advisor. In addition to MSSB providing consulting and evaluation services regarding the client's use of investment managers using the Graystone MAP product, CGM may perform custody, execution and related services as described below.

Graystone MAP Evaluation – Graystone MAP provides a unique screening of the potential manager universe. However, nothing can replace the value of local qualitative manager assessment. Consequently, Graystone Institutional Consulting Directors generally complement the Graystone MAP assessment by conducting follow up analysis on investment managers focusing on the qualitative aspects of due diligence, e.g., quality of investment professionals and assessment of the manager's investment process. Only after completing required qualitative follow-up assessment will an investment manager be recommended to a client.

A significant advantage of Graystone MAP is the ability to leverage investment ideas across various Graystone teams. Accordingly, Graystone MAP leverages proprietary technology to ensure that manager assessments are shared across Graystone teams to ensure effective knowledge transfer.

Ongoing Coverage – Once a manager is recommended, Graystone MAP reevaluates the manager on a periodic basis. Sponsoring Graystone teams will also conduct periodic follow up interviews with the investment manager. Information from the manager visits may be shared with the Graystone Director of Research, the rest of the Graystone community and other Institutional Consulting Financial Advisors.

Manager Assessment Program Fees

Graystone MAP is available on an asset-based fee basis, where the clients' fees to MSSB cover its services in reviewing and recommending investment managers as well as the custody of securities and trade execution. Clients bear the cost of commissions or other transaction charges with respect to securities trades directed by the investment manager to firms other than CGM for execution. The client also pays separate fees to the investment manager employed. Transactions in fixed income and certain other securities may involve dealer mark-ups or mark-downs or other charges in addition to the asset-based fees. To the extent investment managers direct trades in such securities to MSSB for execution, CGM and its affiliates may realize profits or losses in connection with such trades that are separate from or additional to the fees paid by the client but will not charge the client any mark-up or mark-down. See "GENERAL ACCOUNT INFORMATION—Additional Information Regarding Fees and Charges." Graystone MAP managers may enter into "prime brokerage" arrangements with MSSB and its affiliates; in which case such managers may pay additional compensation to MSSB and its affiliates in consideration for such services. However, clients of such managers will not be charged any amount in addition to the manager fee and the fees or commissions charged by MSSB. The standard annual MAP asset-based fees charged by MSSB are as follows:

<u>Account Asset Value:</u>	<u>Annual IS Fee to client</u>
First \$5,000,000	1.35%
Next \$5,000,000	0.80%
Next \$15,000,000	0.40%
Next \$25,000,000	0.30%
Next \$50,000,000	0.20%
Next \$100,000,000	0.10%
Over \$200,000,000	Negotiable

Fees are negotiable based on the level of services provided and types of securities traded, which may result in a particular client paying a fee either greater than or less than the standard fees. For accounts larger than \$10 million, fees generally are arranged separately on the basis of services provided. Fees generally are payable quarterly in advance. In addition to fees paid to MSSB, in the MAP program, clients pay investment management fees separately to the investment manager. As an accommodation to the client, investment manager's fees may be payable through MSSB, which debits the client's account and remits the advisory fee to the investment manager. MSSB is not responsible for verifying the rate, or computing the manager fees or the value of the account used in this connection.

SERVICES PROVIDED BY MSSB AND CGM

MSSB is responsible for:

- Approving, opening, and monitoring client account(s), including obtaining, verifying, and retaining the client's account information and documents, accepting the client's account(s), and monitoring trading and other activity in the client's account(s).
- Providing investment advice to investment advisory clients of MSSB.
- Determining whether any investment advice or recommendation given to a client by the client's Financial Advisor is suitable for the client, and whether persons placing instructions for a client's account are authorized to do so. CGM will not give a client advice about the client's investments in the client's MSSB account(s) and will not evaluate the suitability of investments made by a client, the client's Financial Advisor, or any other party for the client's MSSB accounts.
- Accepting orders and other instructions from a client regarding the client's account, and promptly and accurately transmitting those orders and instructions to CGM. CGM will not accept orders or instructions directly from a client. MSSB may send orders for the purchase or sale of securities on a client's behalf to CGM for execution, or MSSB may execute the transaction and instruct CGM to post the transaction to a client's account.
- Operating in compliance with all applicable laws, rules and regulations relating to its own operations and securities activities, the supervision of its Financial Advisors and other personnel, and the supervision of transactions and other activity in a client's account.
- Initially receiving funds and securities for a client's account(s), in accordance with a client's instructions, for prompt transfer to CGM.
- Offering margin accounts to MSSB customers and setting margin requirements for MSSB accounts consistent with any requirements established by CGM. MSSB is responsible for informing a client of credit requirements of a client's account(s) and how to comply with them. MSSB will regularly receive from CGM information on the status of margin accounts and notice of changes in CGM house rules. Client and MSSB are responsible for ensuring that any extension of credit for which a client may apply or accept is suitable or appropriate for a client, that a client's margin account(s) are at all times funded in compliance

with Regulation T of the Federal Reserve Board, the rules of the New York Stock Exchange, Inc., and other applicable self-regulatory organizations and the house rules of CGM.

- Investigating and responding to any questions or complaints a client have about a client's account(s), confirmations, a client's periodic account statements, or any other matter related to a client's account(s). MSSB will notify CGM with respect to matters involving services performed by CGM.
- Maintaining the required books and records with respect to the functions it performs.

CGM is responsible for:

- Executing, clearing, and settling securities transactions.
- Preparing and sending to each client periodic statements of the client's account(s) as well as confirmations of the transactions in the client's account(s). Certain of the information on the client's statements, such as prices and descriptions of securities are obtained from third parties. For more specific pricing information, and prior to placing orders, CGM suggests that the client contact MSSB. In some cases, MSSB may instruct CGM to post transaction or other information to client's account(s). CGM does not independently verify such information. CGM provides to MSSB copies of each confirmation and account statement sent to a client.
- Custody (or safekeeping) of funds and securities delivered to CGM on a client's behalf or received by CGM in connection with transactions in a client's account(s). CGM is responsible for the handling of funds and securities which it holds or receives on a client's behalf in accordance with the instructions given by MSSB.
- Receiving and delivering funds and securities for a client's account(s) in accordance with MSSB instructions. CGM is not responsible for any funds or securities which are not actually delivered to it, or for any funds withdrawn from a client's account(s) by MSSB or its employees.
- Extending credit to a client in connection with buying or maintaining securities in a client's account(s). CGM will not determine whether any extension of credit for which a client applies or accepts is suitable or appropriate for a client. As described above, the client and MSSB are responsible for ensuring that the client's credit account(s) is at all times funded in compliance with Regulation T of the Federal Reserve Board, the rules of the New York Stock Exchange, Inc., and other applicable self-regulatory organizations and the house rules of CGM. These rules are exclusively for the protection of CGM, and to the extent permitted by law, CGM will not be liable to a client for any failure by CGM to comply with these rules. CGM has the right to take market action in a client's account(s) if it does not meet the credit requirements.
- Maintaining the required books and records with respect to the functions it performs.

GENERAL ACCOUNT INFORMATION

Client Information

In the advisory programs listed in this brochure , a Financial Advisor may ask the client to fill out a questionnaire and a confidential client information form that may request information from the client concerning the client's financial situation and investment objectives. The Financial Advisor then submits the questionnaire and the confidential client information form to the Consulting Group for final review. MSSB then sends this information to the investment manager selected to manage the account. Clients may update or change information at any time by contacting the client's Financial Advisor. Any changed information will be transmitted promptly to the investment manager selected to manage the client's account.

Education

Generally, a college degree or securities industry experience is required, other than clerical or administrative services, for CG personnel providing investment advisory or consulting services, to clients. A complete listing of each principal executive officer of MSSB, CG as well as personnel having managerial or supervisory responsibility with regard to the investment management and consulting services described in this brochure can be found in the “BIOGRAPHICAL INFORMATION” section below.

Account Review and Supervision

Generally accounts are monitored on an on-going basis by the portfolio manager or Financial Advisors and are subject to branch supervision.

Research in Advisory Programs

As noted in the specific programs described in this brochure, MSSB Investment Advisor Research (“IAR”) (or a third party retained by MSSB) uses two methods to evaluate investment managers, mutual funds and other types of products, such as ETFs (“Program Investment Products”), in its various advisory programs: Opinion Research and Access Research. In general, Opinion Research entails a more rigorous and thorough evaluation of a Program Investment Product than Access Research and fewer investment options will qualify for approval under Opinion Research standard than Access Research. Program Investment Products that are approved meeting the Opinion Research standard may be described as being on IAR’s Focus List. Program Investment Products that are approved meeting the Access Research standard may be described as being on IAR’s Approved List. Certain Program Investment Products approved under either process may also be recommended based in part on tactical opportunities existing at a given time (a “Tactical Opportunities List”). It is important to note that not all Program Investment Products available in the advisory programs were approved or evaluated under Opinion or Access Research. The specific advisory programs that limit Program Investment Products only to those that have been approved meeting the Opinion or Access Research standard are described in this brochure and any separate brochure for those programs.

Opinion Research

In the more in-depth Opinion Research process, each Program Investment Product’s manager or sponsor provides IAR with relevant documentation on the Program Investment Product(s) being evaluated, which may include sample portfolios, asset allocation histories, its Form ADV (the form required for investment management registration with the Securities and Exchange Commission), past performance information and marketing literature. For verification purposes, the review process may include a comparison of the Program Investment Product’s reported performance with the performance of a cross-section of actual accounts as computed by IAR. IAR personnel also may interview the investment manager and its key personnel and examine its operations. Program Investment Products that are approved under the Opinion Research process may be described as being on IAR’s Focus List.

The appropriateness of the continued retention of a Program Investment Product as meeting the criteria for Opinion Research is reviewed on a periodic basis. In conducting these reviews, IAR considers a broad range of factors including investment performance, staffing, operational issues and financial condition. Among other things, IAR personnel interview each investment manager periodically to discuss these matters. For Program Investment Products with whom IAR is familiar through repeated reviews, IAR has increasingly emphasized quantitative analysis and interviews in other venues instead of in person meetings. In addition, IAR may review the collective performance of a composite of the Consulting Group accounts being managed by a particular investment manager and compare this information to overall performance data quoted by the manager and investigate any material deviations.

Access Research

The less comprehensive “Access Research” process evaluates various qualitative and quantitative factors of Program Investment Products under consideration for Access Research. Among the factors which may be considered in determining whether a particular investment option will be “Approved” under Access Research include personnel depth, turnover and experience; investment process; business and organization characteristics; and investment past performance. In order to assist in their evaluation, the IAR team may utilize an algorithm – a rules-based scoring mechanism – that reviews various qualitative and quantitative factors and ranks each investment option contained in a third-party database. Not all Program Investment Products reviewed under Access Research will utilize the

algorithm. When a Program Investment Product is processed by the algorithm, analysts analyze the information contained in the algorithm to gauge the completeness and consistency of the data which drive the rankings, and then follow-up with the Program Investment Product's manager or sponsor with additional information requests. The ultimate result of this research effort is a conclusion by IAR that the Program Investment Product either meets the Access Research standard (product receives a status of "Approved") or does not. Program Investment Products that are approved under the Access Research process may be described as being on IAR's Approved List. Program Investment Products that meet the Access Research standard also are reviewed periodically by IAR to evaluate whether they continue to meet IAR's standard to be listed as "Approved". However, data and information provided by Program Investment Products in connection with the review process are not independently verified by IAR or Consulting Group.

In light of the differing research methodology and standards under Opinion and Access Research, IAR may determine that a Program Investment Product no longer meets the criteria for Opinion research, or will no longer be reviewed under the criteria for Opinion research, but in either case does meet the criteria for Access Research, in which case MSSB will generally notify the Clients regarding such status changes on a quarterly basis. In addition, IAR may determine that a Program Investment Product no longer meets the criteria under either research process and therefore in the future, the investment option will no longer be recommended in MSSB's advisory programs (a "Manager Downgrade" or "Fund Downgrade") and the client will generally be notified of such Downgrade. The manner of notification will vary, depending on the MSSB advisory program.

Watch Policy

IAR has a "Watch" policy for covered Program Investment Products. Watch status indicates that, in the course of its review of a given Program Investment Product, IAR has identified specific areas of the investment manager's business that (a) merit further evaluation by IAR; and (b) may, but is not certain to, result in a Manager Downgrade in the future. Putting a Program Investment Product on Watch does not signify an actual change in IAR opinion nor is it a guarantee that a downgrade will necessarily occur. The duration of a Watch status will vary according to the length of time necessary for IAR to conduct its evaluation and for the Program Investment Product's firm to address any areas of concern identified by IAR. For additional information, clients should ask their Financial Advisor for a copy of Investment Advisor Research's Watch Policy.

Mutual Funds in Advisory Programs

Certain mutual funds are sponsored or managed by affiliates of MSSB. Since the affiliated sponsor or manager receives additional investment management fees and other fees, MSSB has a conflict to recommend MSSB affiliated funds.

Mutual fund companies typically offer different ways to allow clients to purchase mutual fund shares. Some mutual funds will only offer one share class for a particular fund while some funds offer many types of shares classes. In c

Risk Considerations When Investing in ETFs

Investors should consider the following risks when investing in ETFs. There may be a lack of liquidity in certain ETFs which can lead to wide bid-ask spreads. A lack of liquidity also may 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 may result in an adverse difference between the ETF's share price and the 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. Please feel free to discuss these considerations with your Financial Advisor.

Money Market Funds

An investment in a money market fund is neither insured nor guaranteed by the FDIC or any other government agency. Although money market funds seek to preserve the value of your investment at \$1.00 per share, there can be no assurance that will occur, and it is possible to lose money should the fund value per share fall. Moreover, in some circumstances, money market funds may be forced to cease operations when the value of a fund drops below \$1.00 per share. In that event, the fund's holdings would be liquidated and distributed to the fund's shareholders. This liquidation process could take up to one month or more. During that time, these funds would not be available to you to support purchases, withdrawals and, if applicable, check writing or ATM debits from your account.

Limitations on Transactions with Citi, Morgan Stanley, their Affiliates and Related Parties

MSSB is affiliated not only with Citi and its affiliates, but also with Morgan Stanley and its affiliates. This results in additional or broader restrictions relating to the execution of client transactions as follows:

- Both Citi and Morgan Stanley will generally not act as principal in executing trades for advisory clients of MSSB (except to the extent permitted by the terms of the respective programs and applicable law).
- Certain regulatory requirements may limit the ability of MSSB to execute transactions through alternative execution services (e.g., electronic communication networks and crossing networks) owned by either Citi, Morgan Stanley or their respective affiliates.

These restrictions may adversely impact client account performance.

These restrictions may not apply, however, to orders received from unaffiliated investment management firms providing portfolio management services to clients in the Consulting and Evaluation Services, Investment Management Services and Institutional Services programs and in certain other advisory programs in which MSSB does not provide portfolio management services.

Commissions for Execution Through Morgan Stanley Broker-Dealers

In certain advisory programs currently provided by Smith Barney and/or CGM, the program fees include brokerage transactions executed by CGM. Following the closing of the Transaction, when those advisory programs are provided by the SB Channel of MSSB, the program fees for those programs will continue to include execution services provided by CGM. Clients in those programs, however, may pay commissions (in addition to any advisory program fees) for brokerage transactions that are executed by Morgan Stanley or broker-dealers unaffiliated with CGM.

Proxy Voting

When investing in Smith Barney's institutional programs, clients generally have the option to elect to have the Investment Manager vote proxies on the client's behalf. If a client elects this option, the Investment Manager will vote proxies related to all securities held in the managed account, including the discretionary assets invested by the Investment Manager and any non-managed assets held in the managed account. When investing in Smith Barney's advisory programs, clients have the option to delegate all proxy voting rights to MSSB and authorize MSSB to further delegate all proxy voting rights to Institutional Shareholder Services ("ISS") or another proxy voting service (the "Proxy Voting Service") satisfactory to MSSB.

Clients may obtain information regarding how MSSB or its designee voted a specific proxy on behalf of the client's account by submitting a written request to their Financial Advisor.

In all programs that permit it, non-managed assets are held in client accounts as an accommodation and are not charged an investment management fee nor included for performance reporting purposes. The Investment Manager or MSSB does not have investment discretion with respect to the purchase, sale or holding of non-managed assets. However, all proxies for the non-managed assets are voted in accordance with the same proxy voting policies and procedures followed by the Investment Manager or MSSB with respect to securities over which the Investment Manager or MSSB exercises investment discretion.

If a client no longer wishes to have the Investment Manager, MSSB or its designee vote proxies for the discretionary assets in the managed account, the client may cancel the proxy waiver election immediately by contacting the Financial Advisor; in which case, the Investment Manager, MSSB or its designee will no longer be in a position to vote proxies for any securities in the client's managed account, including securities over which the Investment Manager has investment discretion. In this case, all such proxies will be delivered directly to the client for consideration. If a client no longer wishes to have the Investment Manager, MSSB or its designee vote proxies for the non-managed assets in the managed account, but would like the Investment Manager, MSSB or its designee to continue voting the proxies for the discretionary assets in the managed account, the client should contact the Financial Advisor and arrange to transfer the non-managed assets to another non-managed account.

Cost of MSSB Advisory Programs and Services Relative to Non-Asset-Based Fee Alternatives; Relative Costs of MSSB Consulting Group Asset-Based Fee Program Alternatives

Clients who participate in the programs or retain the services described in this brochure and who pay asset-based fees for a variety of services may pay more or less for such services than if they purchase such services separately. Factors that bear upon the cost of Consulting Group asset-based fee programs in relation to the cost of the same services purchased separately include, among other things, the type and size of the account, the historical and expected size or number of trades for the account, and the number and range of supplementary advisory and client related services provided to the account.

A portion of the fees and/or brokerage charges imposed by MSSB for the programs offered herein are paid to Financial Advisors or employees of MSSB affiliates in connection with the introduction of accounts as well as the provision of services. Such payments may be made for the duration of client accounts. The amount of the fees received by MSSB, Financial Advisors and employees of MSSB affiliates may be greater if the client participates in an asset-based fee program instead of paying separately for investment advice, brokerage and other services; and/or the client selects a particular Consulting Group asset-based fee program over other Consulting Group asset-based fee programs. In addition, MSSB and its affiliates retain a larger portion of the fee when an affiliated Portfolio Manager is used, since no part of the fee is shared with an outside manager. Because of these factors, MSSB, Financial Advisors and employees of MSSB affiliates may have a financial incentive to recommend certain alternative methods of paying program fees and charges (e.g., asset-based fee) over another alternative (e.g., fee plus commission), or one program (e.g., a MSSB program using a MSSB-affiliated Portfolio Manager) over another program (e.g., a Consulting Group program using an unaffiliated manager).

Investment managers may offer to the public other investment products such as mutual funds with similar investment styles and holdings as those investments offered through the Consulting Group programs. Such products may be offered at differing fees and charges that may be higher or lower than the fees imposed by MSSB under a Consulting Group program. Clients should discuss all investment options with their Financial Advisor.

Additional Information Regarding Fees and Charges

In addition to the asset-based fees and fee-plus-commission fees specified above, clients of MSSB may pay additional fees or charges in connection with their accounts or certain securities transactions. These may include: commissions and other charges for executing transactions (except in the case of asset-based-fee account trades executed through CGM); interest on any debit balances; dealer mark-ups, mark-downs and spreads; auction fees; certain odd-lot differentials; exchange fees; transfer taxes; electronic fund and wire transfer fees; charges imposed by custodians other than CGM; fees imposed in connection with Smith Barney Financial Management Accounts; certain fees in connection with custodial, trustee and other services rendered by a MSSB affiliate; a termination fee of \$50 for IRA accounts, which may be amended from time to time; SEC fees on securities trades; any other charges mandated by law; and certain fees in connection with the establishment, administration or termination of retirement

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of profit sharing plans or trust accounts. In addition, if MSSB is a member of the underwriting syndicate from
which a security is purchased, MSSB and the Financial Advisor may indirectly benefit from such purchase.

If an open or closed-end mutual fund or an ETF is utilized by MSSB as an account investment, any such fund may pay its own separate investment advisory fees and other expenses to the fund manager or other service provider. In addition, an open-end mutual fund may charge distribution or servicing fees. In both cases these fees or expenses will be in addition to the fee paid by Client on the account.

To the extent that fees or commissions charged are negotiable, they may differ from client to client based upon a number of factors, including, but not limited to, the type and size of the account, the historical and/or expected size or number of trades for the account, and the number and range of supplemental advisory and client-related services to be provided to the account. Moreover, fee minimums and account minimums may vary as a result of the application of prior schedules depending upon customer account inception date. Minimum account sizes also may be waived under certain circumstances. Performance-based fees may also be charged to eligible clients, are negotiable, and will be in compliance with any applicable provisions of Rule 205-3 under the Investment Advisers Act of 1940. From time to time, the fees for certain of the advisory services described herein may be reduced for employees of MSSB or its affiliates. For more information regarding the above, the client may contact the client's Financial Advisor.

Additional assets received into an account during any billing period may be charged a pro-rata fee based on the number of days remaining in the billing period. No adjustments will be made to the fee for appreciation or depreciation in the market value of securities held in the account, or with respect to partial withdrawals by Client, during any billing period for which such Fee is charged. In the event that the client agreement is terminated by either party prior to the end of a billing period, a pro-rata refund of the fee will be made.

Generally, interest will be charged to a client's account should the account have a debit balance as a result of the client's activity. Any debit balance will not be deducted from the account balance for purpose of the calculation of 4(h) balance767 TJ15.4012 00 TD0.0016 Tc0.5b rec2anao3p)-strumay

on behalf of mutual funds, institutional separate accounts or other investment management clients of such investment manager or subadviser, and that may result in a market impact for the securities traded. The investment manager will engage in these “step-out” transactions, but only where the investment manager has determined that doing so is consistent with its obligation to seek best execution for clients. Where the client has elected to pay MSSB on a fee plus commission basis at an agreed upon commission rate, the commission rate charged by MSSB to the client will generally be at the agreed upon rate, whether the trade is executed by CGM or is executed by another broker-dealer and “stepped-out” to CGM for clearance and settlement as described above. This is so, whether the other broker-dealer executes the trade at no commission or charges the client a commission on the trade (in addition to the commission charged to the client by MSSB).

The investment manager will not consider the agreed-upon commission rate for fee-plus-commission accounts in determining whether execution is “best execution.”

Certain securities, such as over-the-counter (including NASDAQ-traded) stocks and fixed income securities, primarily are traded in “dealer” markets. In such markets, securities are directly purchased from or sold to a financial institution acting as a dealer or “principal.” Principal trades are executed on a “net” basis, with the net price paid or received by the client reflecting any trading profit retained or loss incurred by the dealer executing the transaction, as well as any mark-up or mark-down over or under the reported execution price.

CGM does not generally act as principal in executing trades for clients for which an investment manager affiliated with MSSB provides the client with portfolio management services (i.e., determines which securities are to be bought and sold for the client). If CGM receives trade orders for securities traded in the dealer markets with respect to such clients, it normally executes those orders as agent through a dealer unaffiliated with CGM. Neither CGM nor MSSB receives any commissions or other compensation in connection with such trades, although the client bears the cost (including any mark-up or mark-down) imposed by the unaffiliated dealer.

CGM may execute trades as principal with respect to orders received from investment management firms unaffiliated with CGM that provide portfolio management services to clients in the IS program. This will result in CGM realizing customary dealer profits or losses on the trades. Any profit or loss on principal trades would be separate from, or additional to, and would not reduce or otherwise offset, compensation received by MSSB in its capacity as sponsor of the IS asset-based fee program. Investment management firms in these programs also may direct principal trades to dealers unaffiliated with CGM; when this is done, the dealer to which the trade is directed (not CGM) will realize a dealer profit or loss on each trade and may also charge a mark-up or mark-down.

In the case of clients in the IS program that pays on a fee plus commission basis, the client pays the investment management firm directly for its fee and pays MSSB for its services on the basis of transactions sent by the investment management firm to CGM for execution. The compensation earned by MSSB from such transactions is in lieu of a fee for its services. The client agrees to furnish the investment management firm with a letter informing the investment management firm of client’s compensation arrangement with MSSB and instructing the investment management firm to use CGM for executing transactions for client’s account, so long as such use is not inconsistent with the investment management firm’s obligation to seek best execution for its clients. The commissions charged by MSSB may exceed those that other broker-dealers may charge. Generally, the commission rates payable by a client are negotiated between the client and his or her Financial Advisor, except as specifically provided herein. A client may negotiate a commission rate that exceeds that rate paid by other clients and the rate that the client’s investment manager may be able to obtain from other broker-dealers. There is no minimum or maximum total amount of compensation MSSB and its Financial Advisors may receive from the investment management firm’s decision to execute transactions for the account at MSSB. The investment management firm’s decision to use MSSB to execute transactions for the client’s account may result in executions that may not be as favorable as otherwise would be the case, and the client may forego other benefits, such as the ability to participate in block trades. Less favorable execution or the inability to participate in block trades may result in poorer investment performance.

Outside of the asset-based fee programs described in this brochure, the price paid or proceeds received by MSSB retail clients in connection with principal trades executed by CGM typically includes a mark-up or mark-down that is included in the net price of the trade, which is used to compensate the Financial Advisor. Any principal trade executed for CES, IMS or IS clients will not include any such mark-up or mark-down; instead, Financial Advisors are compensated only out of the client’s asset-based fee.

Compensation from Funds

Certain Funds and the Funds' affiliates available through the investment advisory programs may offer additional compensation to MSSB in the form of 12b-1 fees, management and administrative fees, transfer agency fees, revenue sharing compensation, record-keeping fees, shareholder servicing fees or any other Fund-related fees (collectively referred to as "Fund Fees"). However, under the FAM and IS programs, MSSB will not seek or retain any Fund Fees from participating Funds and will credit the client's account in the amount of any such fees received by MSSB. Accordingly, in these programs, the aggregate fees received by MSSB will not vary depending on the eligible assets in which the client invests. Any fees credited to a client's account will be reported to such client as additional income if the client account is taxable.

Notwithstanding the foregoing, in the event non-retirement account cash balances in any of the programs discussed in this Form ADV Schedule H are invested in money market funds sponsored or managed by affiliates of Legg Mason, Inc.), MSSB may receive and retain Fund Fees from those money market funds or those money market funds' affiliates (see "Potential Conflicts of Interest" below).

In addition, non-retirement clients may also purchase closed-end funds and MSSB may receive additional compensation from the purchase of these closed-end funds. As a result, there may be a potential for a conflict of interest, to the extent that the additional payments could influence the selection of these closed-end funds.

Error Policy

MSSB maintains an Error Policy aimed at ensuring the prompt and proper detection, reporting and correction of errors involving the accounts of MSSB clients. The requirements of the Error Policy apply to the extent that MSSB has control of resolving errors for client accounts. The correction method used by MSSB for an error must put the client in the same position the client would have been in had the error not occurred (i.e., the client must be made whole for any error-related losses and costs suffered). Any gain resulting from an error generally will be left in the client's account or, if realized outside the client's account, offered by MSSB directly to the client. Only if the client refuses to accept such a gain may MSSB retain the profit. MSSB will not offer or give error-related gains to any person or firm other than the applicable client. In the case of a trade error discovered before settlement, MSSB may seek to have the broker cancel the erroneous trade, even if the erroneous trade has resulted in a gain. Alternatively, an erroneous trade may be moved to an MSSB error account prior to settlement, and MSSB may realize a profit or loss on the security.

Termination

Generally, client agreements with MSSB or its affiliates for investment management services may be terminated at the written request of the client or MSSB. The procedures and conditions pursuant to which MSSB or any client

services and programs. As of June 30, 2009, MSSB had over \$334 billion of assets in its advisory programs,ⁱ including over \$246 billion of assets under management. MSSB's investment advisory services are available to individuals; banks or thrift institutions; retirement plans such as pension and profit sharing plans; investment companies; trusts; estates; charitable organizations; corporations or other business entities as well as governmental entities. MSSB has many affiliated investment advisers. Please refer to the MSSB ADV Part I for a full listing.

Compensation Paid to MSSB

A portion of the advisory fees charged by MSSB are paid to Financial Advisors or employees of MSSB affiliates in connection with the introduction of accounts, as well as the provision of supplemental and other client-related services. Such payments may be made for the duration of the client accounts.

MSSB may permit qualifying clients to take out loans that are secured by assets in the client's account. MSSB may earn fees and other income for services provided in connection with the loans, in addition to the asset-based fee which is earned on collateral (asset-based fee account assets) for the loans. Before taking out a loan, the client should consider (i) the alternative of liquidating part of the account, and (ii) the possibility that the return on the collateral may be lower than the interest paid on the loan, especially if the collateral is a low-producing asset class (such as a money market fund). The client should be aware that MSSB, acting as client's creditor, will have the authority to liquidate all or part of the account at any time to repay any portion of the loan, even if the timing of the liquidation may be disadvantageous to the client.

Code of Ethics

As part of an overall internal compliance program, MSSB is subject to codes of ethics and related policies and procedures (collectively, the "Code of Ethics") imposing standards of business conduct, including requirements to put client interests first and not to take inappropriate advantage of employment-related information. The Code of Ethics also imposes restrictions on employee personal securities transactions and accounts. Such restrictions include, for all employees, prohibitions on trading in securities while in possession of related material, nonpublic information and, for certain MSSB employees, including Financial Advisors, minimum holding periods in certain situations, and reporting of personal securities accounts, transactions and/or holdings to the Compliance Department or supervisory business personnel. The purposes of the Codes of Ethics include minimizing potential conflicts of interests between employees and investment advisory clients and assuring compliance with applicable laws and regulations. Existing and prospective MSSB clients may obtain copies of the applicable Code of Ethics by mailing a written request for such document to:

Morgan Stanley Smith Barney LLC
Attention: Investment Advisory Compliance
480 Washington Boulevard - 19th Floor
Jersey City, NJ 07310

POTENTIAL CONFLICTS OF INTEREST

Conflicts of Interest Relating to MSSB

Transaction-Related Agreements with Citi and Morgan Stanley

As part of the Transaction, MSSB entered into certain agreements with Citi and Morgan Stanley, including the following:

- ***Clearing.*** An agreement providing that, subject to MSSB's duty of best execution, Citi and Morgan Stanley (or their applicable affiliates) will act as fully-disclosed clearing brokers for MSSB, which will act as an introducing broker. MSSB has a conflict of interest in introducing client trades to Citi and Morgan Stanley.
- ***Order Flow.*** An agreement that, subject to best execution, MSSB will transmit an agreed percentage of client orders for the purchase and sale of securities to Citi, Morgan Stanley and their respective affiliates. MSSB has a conflict of interest in transmitting client orders to Citi and Morgan Stanley.

ⁱ Assets in Advisory Programs include assets in which MSSB receives an asset-based fee, and MSSB may give on going advice to clients regarding recommending managers; however, MSSB does not retain discretion as to the selection of those managers.

- *Distribution.* An agreement that, in return for the payment of certain fees and expenses, MSSB will market and promote certain securities and other products underwritten, distributed or sponsored by Citi, Morgan Stanley or their respective affiliates. MSSB has a conflict of interest in offering, recommending or purchasing any such security or other product to or for its advisory clients.
- *Investment Research.* An agreement that Citi and Morgan Stanley (or their applicable affiliates) will supply investment research prepared by their respective research groups to MSSB for its use. It is possible that Citi's research group, on the one hand, and Morgan Stanley's research group, on the other hand, may reach different conclusions, and may make different recommendations, with respect to the same issuer or investment manager. This may, among other things, result in different investment decisions or recommendations regarding the same issuer or investment manager being made for or given to MSSB advisory clients.

Conflicts of Interest Arising From the Joint Venture's Affiliation with Citi and Morgan Stanley

Since MSSB is affiliated with both Citi and Morgan Stanley, the number of affiliates and the potential conflicts involving affiliates have increased. These potential conflicts include the following:

- *Affiliated Products and Services.* MSSB may offer, recommend and/or purchase, to or for its advisory clients: mutual fund shares, interests in private investment funds, other investment products or securities, and investment advisory services issued, sponsored or provided by Citi, Morgan Stanley or their respective

adversely impact client account performance. Clients whose accounts currently hold securities issued by Morgan Stanley or Citi should be aware that MSSB will not provide investment advice with respect to such securities.

- *Agency Cross Transactions.* Agency cross transactions (i.e., transactions in which MSSB or an affiliate acts as broker for the parties on both sides of the transaction) may be effected for client accounts to the extent permitted by law. MSSB or an affiliate may receive compensation from parties on both sides of such transactions (the amount of which may vary) and, as such, MSSB (and any such affiliate) will have a potentially conflicting division of loyalties and responsibilities. Client consent to agency cross transactions may be revoked at any time by written notice to MSSB.
- *Certain Trading Systems.* If MSSB directly or indirectly effects client trades through exchanges, electronic communication networks or other alternative trading systems (“Trading Systems”) in which its affiliates have an ownership interest, these affiliates may receive an indirect economic benefit based upon their ownership interest. Currently, affiliates of MSSB (including affiliates of Citi and Morgan Stanley) own over 5% of the voting securities of certain Trading Systems, including: BATS Trading, Inc., operator of BATS Electronic Trading Network (commonly known as “BATS”); the entities that own and control the Block Interest Discovery System (commonly known as “BIDS”); LavaFlow Inc.; EBX Group, LLC; ELX Futures Holdings, LLC; ELX Futures, LP; TheMuniCenter; Automated Trading Desk Financial Services LLC; Automated Trading Desk Brokerage Services LLC; Boston Options Exchange, LLC; FX Alliance Inc.; and National Securities Exchange. Other Trading Systems on which MSSB may execute trades for client accounts include: Archipelago, eSpeed, Instinet, NYFIX, Track ECN, BondDesk, ValuBond, NYSE Euronext, TradeWeb, and MarketAxe. The Trading Systems on which MSSB trades for Client accounts and in which affiliates of MSSB own interests may change from time to time. The Client may contact the Client’s Financial Advisor for an up-to-date list of Trading Systems in which affiliates of MSSB own interests and on which MSSB trades 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 MSSB 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 MSSB may directly or indirectly effect client trades execute transactions on a “blind” basis, such 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 advisory or brokerage client of MSSB or one of its affiliates or (ii) MSSB or one of its affiliates acting for its own proprietary accounts.

Morgan Stanley / Invesco Ltd. Transaction

On October 19, 2009, Morgan Stanley and Invesco Ltd. (“Invesco”) announced that they had entered into a definitive agreement under which Morgan Stanley will sell substantially all of its retail asset management business (including Van Kampen Investments Inc.) to Invesco, in exchange for a 9.4% ownership interest in Invesco and other consideration. The transaction closed June 1, 2010. Since MSSB is an affiliate of Morgan Stanley, this transaction creates a potential for a conflict of interest, to the extent that it could influence MSSB’s recommendation of mutual funds or separately managed accounts sponsored or affiliated with Invesco, including Invesco Aim, WL Ross & Co., Invesco PowerShares and Van Kampen Investments Inc.

MSSB, its Affiliates and its Employees May Receive Additional Compensation from the Investment Management Firm(s) They Recommend

MSSB has trading, investment banking and other business relationships with investment management firms. These investment management firms may include the investment adviser(s) for one of the investment advisory programs recommended to clients by the Financial Advisor. In addition, some Financial Advisors may receive financial benefits from investment management firms, in the form of compensation for trade executions for the accounts of investment management firms or accounts that are managed by such investment management firms, or through

referrals of brokerage or investment advisory accounts to the Financial Advisor by such investment management firm.

In determining the investment management firm's eligibility for its investment advisory programs, MSSB does not consider the extent to which an investment management firm directs or is expected to direct trades to MSSB for execution. Such direction is left to the discretion of the investment management firm retained by the client, which, absent client direction to the contrary, is obligated at all times to seek best execution. Nonetheless, investment management firms retained by clients may perceive a potential conflict of interest between their obligations to seek best execution and their interest in receiving client referrals pursuant to the investment advisory programs. For a client who chooses the commission-based option in the those advisory programs in which it is available, MSSB and its Financial Advisors could have a financial incentive to recommend an investment management firm that trades actively, thereby executing more transactions for the account.

Investment management firms participating in a Consulting Group program may make payments to MSSB for: marketing, promotional and related expenses; expenses incurred in connection with training or educational seminars with Financial Advisors and other MSSB personnel; or expenses incurred in connection with client or prospective client meetings relating to a Consulting Group program. In addition, investment management firms and their affiliates may provide Financial Advisors and clients (existing and prospective) with related items and benefits. These expenses, items and benefits may include, without limitation: training meeting costs for Financial Advisors or other personnel, including payments for travel, lodging and meals for attendees; payments of costs for client/prospect meetings at which the investment management firms' or their affiliates' services or investment products are discussed, including meals for attendees, room rental costs and meeting-related presentation materials; occasional meals and leisure/entertainment outings; *de minimis* gifts; and nominal value promotional items.

The amount of such payments and the value of such items and benefits may or may not be substantial, and will be determined at the discretion of MSSB. Although these payments, items and benefits will not be pre-conditioned on sales targets and levels, they nevertheless could give MSSB and Financial Advisors incentives to favor one investment management firm over another investment management firm that does not provide the same items, payments and benefits. However, such payments, items and benefits are subject to MSSB's policy that addresses and, in some cases, limits such payments, items and benefits, with the overall aim to avoid compromising advice or recommendations given to clients by special incentives or compensation arrangements.

Global Transaction Services, a business unit of Citi, receives compensation for providing administrative, custody, transfer-agent and back-office services to investment management firms, mutual funds and hedge funds (collectively "Investment Management Firms"). These Investment Management Firms may include Investment Management Firms recommended in the investment advisory programs described herein.

MSSB Maintains Business Relationships with Companies that May Be Selected or Recommended for a Client's Portfolio

As noted previously in this brochure, in selecting investment management firms for participation in certain of the investment advisor programs described herein, IAR uses two methods to evaluate the investment management firms: Opinion Research and Access Research. Please refer to the "GENERAL ACCOUNT INFORMATION — Research in MSSB's Advisory Programs" for additional details as to IAR's research process in selecting Investment Management Firms for participation in the these investment advisory programs and the conflicts of interest that may arise pertaining to IAR's research process.

MSSB and its affiliates provide a variety of services for various clients, including issuers of securities that MSSB may recommend for purchase or sale by clients. MSSB performs a wide range of investment banking services for various clients, and it is likely that MSSB client holdings will include the securities of issuers for whom MSSB performs investment banking services. MSSB client portfolios may include securities in which MSSB makes a market or in which MSSB, its officers or employees have positions. MSSB and its affiliates receive compensation and fees in connection with the provision of the foregoing services. As part of an overall internal compliance program, MSSB has adopted policies and procedures imposing certain conditions and restrictions on transactions for MSSB's own account or the accounts of its employees. Such policies and procedures are designed to prevent, among other things, any improper or abusive conduct when potential conflicts of interest may exist with respect to a customer or client.

MSSB May Be Restricted in its Ability to Trade or Provide Certain Advice

In order to comply with applicable regulatory requirements, there are time periods during which MSSB is not permitted to initiate or recommend certain types of transactions in the securities of issuers for which MSSB is performing investment banking services. In particular, when MSSB is engaged in an underwriting syndication or other distribution of corporate or municipal securities, MSSB may be prohibited from purchasing or recommending the purchase of certain securities of an issuer for its clients. Notwithstanding the circumstances described above, a client, on his or her own initiative, may direct MSSB to place orders for specific securities in the client's account. From time to time, restrictions are imposed by MSSB to address the potential for self-dealing by MSSB and conflicts of interest that may arise in connection with MSSB's broker-dealer and investment banking businesses. MSSB has adopted various procedures to guard against insider trading that include an "Information Barrier" procedure, pursuant to which information known within one area of MSSB (e.g., investment banking) may not be distributed to other areas (e.g., investment advisory), and use of a restricted list and various other monitoring lists. These investment banking or other activities may, from time to time, compel MSSB, the Overlay Manager, or their affiliates to forgo trading in the securities of companies with which these relationships exist. This may adversely impact the investment performance of a client's account.

MSSB May Give Conflicting Advice or Trade Differently for Itself than Client's Accounts

MSSB and its affiliates may recommend securities in which they directly or indirectly have a financial interest, and may buy and sell securities that are recommended to clients for purchase and sale. They also may provide advice and take action, in the performance of their duties to Consulting Group clients, which differs from advice given, or the timing and nature of action taken, with respect to other clients' accounts. Moreover, MSSB or any of its affiliates may advise or take action, with respect to itself or themselves, differently than with respect to Consulting Group program clients. In addition, MSSB, its affiliates, and employees, including Financial Advisors, may invest with any investment management firm.

Potential Conflicts of Interest Pertaining to Compensation and Benefits to MSSB and Citi from Bank Deposit Program and Money Market Funds

For non-retirement accounts, a client may elect that cash balances in the account be automatically invested or "swept" into either a Bank Deposit Program ("BDP") account or an eligible money market sweep fund (each, a "Sweep Fund"). If a client elects the BDP, the client authorizes, without any further direction, that all cash balances in the account in excess of \$1.00 be automatically deposited or swept every business day into an account at one or more Federal Deposit Insurance Corporation ("FDIC") insured depository institutions affiliated with Citi ("Affiliated Program Banks"), as more particularly set forth in the BDP Disclosure Statement provided to the client. MSSB may amend the list of Affiliated Program Banks, and the Client may eliminate Affiliated Program Banks two and three from the list at any time.

The client is responsible to monitor the total amount of deposits the client has at each Affiliated Program Bank, in order to determine the extent of available FDIC insurance coverage available to the client; and Citi, MSSB, and their respective affiliates are not responsible for any insured or uninsured portion of the client's deposits at any of the Affiliated Program Banks.

Alternatively, if the client elects an eligible money market sweep fund, the client authorizes, without any further direction, that all cash balances in the account in excess of \$1.00 be automatically invested every business day into the money market fund that has been made available and that the client has chosen.

In the event the client does not select a Sweep Fund, the client authorizes the Financial Advisor assigned to the account or MSSB to select the Sweep Fund for the account. If the BDP is selected as the Sweep Fund, the Affiliated Program Banks will have the opportunity to earn income on the BDP assets through lending activity, and that income is usually significantly greater than the fees earned by MSSB on money market funds. Thus, MSSB has a conflict of interest in selecting or recommending BDP as the Sweep Fund, rather than an eligible money market fund. By signing an agreement for one of the programs described in this brochure, the client understands this potential conflict of interest and consents to the use of Legg-Mason-affiliated money market funds as investment vehicles for the account, to the extent permitted by law, and to the resulting payment of additional compensation to MSSB.

In MSSB investment advisory programs, non-retirement account cash balances may be invested in money market funds sponsored and managed by affiliates of Legg Mason. As set forth in the prospectuses of these funds, MSSB receives Fund Fees from these funds and may also receive payments from the funds' sponsors and managers and certain of their affiliates. The fees MSSB receives from these money market funds may be referred to as service fees under the funds' Rule 12b-1 distribution plans. The annual rate of these fees may be as high as 0.25% of managed account cash balances invested in the funds. These fees, along with other fund-level expenses (e.g., fund management fees), are separate from, and in addition to, the fees clients pay to participate in MSSB investment advisory programs.

Payments to MSSB from the funds' sponsors and managers and their affiliates are sometimes referred to as "revenue sharing payments" and are made from their respective past profits, which may be attributable to fees collected from the fund (e.g., fund management fees) or other available sources. Unlike the services fees referred to above, however, these payments are not from fund assets and are not reflected in the funds' expense ratios. Such payments may be made for fund-related distribution and shareholder servicing activities, fund-related marketing, promotional or related expenses, or similar items and services. The annual rate of these payments may be as high as 0.30% of managed account cash balances invested in the funds.

At times, managers or MSSB 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 BDP arrangements and 12b-1 and revenue sharing payments create a potential for a conflict of interest, to the extent that the additional payments could influence the selection of investment managers or an investment style that favors cash balances.

Please note that the Financial Advisor does not receive any of the BDP-related income or 12b-1 or revenue sharing payments described herein.

Potential Conflicts Relating to CGM's Trade Execution Services within MSSB's Advisory Accounts

Agency Cross Transactions

Agency cross transactions (i.e., transactions in which MSSB or an affiliate acts as broker for the parties on both sides of the transaction) may be effected for customer accounts to the extent permitted by law. MSSB may receive compensation from parties on both sides of such transactions (the amount of which may vary), and as such, MSSB will have a potentially conflicting division of loyalties and responsibilities. Client consent to agency cross transactions may be revoked at any time by written notice to MSSB.

Block Trades May Benefit MSSB or its Affiliates

As explained in "*Additional Information Regarding Fees and Charges*" above, an investment manager may direct some block trades to CGM for execution, which blocks may include trades for Other Programs and for the MSSB program. Although CGM executes these block trades at no commission, MSSB may obtain a benefit from executing these block trades, as a result of the increased trading volume attributable to these blocks.

Additional Risk Disclosure

Different classes of securities have different rights as creditor in the event the issuer files for bankruptcy or reorganization. By way of example, bondholders' rights generally are more favorable than shareholders' rights in the event of a bankruptcy or reorganization.

By signing an agreement for one of the programs described in this brochure, the client acknowledges this potential conflict of interest and consents to the use of Legg-Mason-affiliated money-market funds as investment vehicles for the account, to the extent permitted by law, and to the resulting payment of additional compensation to MSSB.

As explained in "*Additional Information Regarding Fees and Charges*" above, and in "*Execution of Transactions*" in Part III of the Legg Mason Brochure, the investment manager may direct some block trades to MSSB for execution, which blocks may include trades for Other Programs and for the MSSB program. Although MSSB executes these block trades at no commission, MSSB may obtain a benefit from executing these block trades as a result of the increased trading volume attributable to these blocks.

Solicitations

MSSB may enter into agreements with third parties who solicit clients for MSSB's investment management products. Under such agreements, third parties may refer or solicit clients and receive compensation for such

services. As a result of these arrangements, fees paid by clients may differ from the prevailing retail rate; but, in every arrangement with a third-party solicitor, the structure of the third-party solicitation agreement, including the compensation payable to the solicitor, will be disclosed fully to the client, as required by applicable law.

MSSB may use client lists when soliciting new clients, provided that the existing clients included on such lists have not expressly requested confidentiality, whether in a contract or by written or oral request.

MSSB's Advisory Services

MSSB recommends and employs various investment strategies in providing investment management services, depending upon the services to be rendered and the objectives and guidelines of the client. The investment strategies may involve long-term or short-term purchases, trading, and margin transactions. Not all of these strategies are appropriate for all clients, however, and only those strategies believed to be suitable will be utilized in any given client account or advisory program. It is anticipated that there may be a substantial degree of uniformity in client portfolios, as a result of the common investment objectives of the clients participating in the various programs.

Each of MSSB's and its affiliates' advisory programs may be based on different methodology, and as a result, asset allocation or investment recommendations may differ from program to program. In addition, MSSB and its affiliates may give advice and take action in the performance of their duties to clients which differs from advice given, or the timing and nature of action taken, with respect to other clients' accounts.

MSSB's investment management services generally rely on fundamental analysis with supplemental technical analysis, which may include charting or cyclical review. Computer technology may be employed to more readily display these factors to portfolio managers. Information is derived from many sources. Personnel involved in providing investment advisory services have available MSSB's research facilities and have access to economists and specialists in all major industry groups. Information may be obtained from various other sources, including: financial publications (including newspapers and magazines); industrial manuals and publications; inspections of corporate activities; direct contact with, and press releases and other reports released by, companies; annual reports, prospectuses and filings made with the Securities and Exchange Commission; research materials prepared by others; governmental reports; timing services; and corporate rating services. MSSB and its affiliates at times may not be free to divulge such information to investment advisory clients or act upon it on their behalf.

MSSB affiliates act as investment adviser to many open-end and closed-end investment companies, and also act as an administrator for a wide range of open-end and closed-end investment companies registered under the Investment Company Act of 1940. MSSB and its affiliates may also serve as investment advisers to a number of investment funds domiciled and sold outside the United States. Additionally, MSSB affiliates are the depositor and sponsor for numerous unit investment trusts, the portfolios of which are invested in equity and/or debt securities.

MSSB Brokerage and Research Services

As a registered broker-dealer, MSSB regularly advises clients with regard to and executes transactions in a wide variety of securities and other investments, including those specified above. MSSB and its affiliates also act in a partnership capacity in a number of limited partnerships in which its clients may invest. As a futures commission merchant, MSSB also provides advice on commodities and commodity-related products.

MSSB provides a wide range of research services to its clients, including reports, analyses, charts and graphs relating to various facets of the investment spectrum in equity and fixed income products. Research services generally are provided to clients on the assumption that the services generate commission or other business for MSSB. However, certain research services may be provided on a hard-dollar, fixed-fee basis and/or, in the case of firms that may re-sell such services, on a hard-dollar, royalty-fee basis. The amount or rate of any hard-dollar fee generally is negotiable.

Certain Civil and Regulatory Actions

The following notices are being furnished pursuant to Rule 206(4)-4 under the Investment Advisers Act of 1940, as amended.

The following settlements relate to activities of CGM:

SEC Administrative Proceeding Against Citigroup Global Markets Inc and Smith Barney Fund Management LLC

On May 31, 2005, the Securities and Exchange Commission (the “SEC”) issued an order in connection with the settlement of an administrative proceeding against CGM and Smith Barney Fund Management LLC (“SBFM”) relating to the appointment of an affiliated transfer agent for the Smith Barney family of mutual funds (the “Smith Barney Funds”). SBFM was an affiliate of CGM during the relevant period.

The SEC order finds that SBFM and CGM willfully violated Section 206(1) of the Investment Advisers Act of 1940 (“Advisers Act”). Specifically, the order finds that SBFM and CGM knowingly or recklessly failed to disclose to the Boards of the Smith Barney Funds in 1999 when proposing a new transfer agent arrangement with an affiliated transfer agent that: First Data Investors Service Group (“First Data”), the Smith Barney Funds’ then-existing transfer agent, had offered to continue as transfer agent and do the same work for substantially less money than before; and that Citigroup Asset management (“CAM”), the Citigroup business unit that includes the Smith Barney Funds’ investment manager and other investment advisory companies, had entered into a side letter with First Data, under which CAM agreed to recommend the appointment of First Data as sub-transfer agent to the affiliated transfer agent in exchange, among other things, for a guarantee by First Data of specified amounts of asset management and investment banking fees to CAM and CGM. The order also finds that SBFM and CGM willfully violated Section 206(2) of the Advisers Act, by virtue of the omissions discussed above and other misrepresentations and omissions in the material provided to the Smith Barney Fund’s Boards, including the failure to make clear that the affiliated transfer agent would earn a high profit for performing limited functions while First Data continued to perform almost all of the transfer agent functions, and the suggestion that the proposed arrangement was in the Smith Barney Funds’ best interest and that no viable alternatives existed. SBFM and CGM do not admit or deny any wrongdoing or liability. The settlement does not establish wrongdoing or liability for purposes of any proceeding.

The SEC censured SBFM and CGM and ordered them to cease and desist from violations of Sections 206(1) and 206(2) of the Advisers Act. The order requires Citigroup to pay \$208.1 million, including \$109 million in disgorgement of profits, \$19.1 million in interest, and a civil money penalty of \$80 million. Approximately \$24.4 million has already been paid to the Smith Barney Funds, primarily through fee waivers. The remaining \$183.7 million, including the penalty, has been paid to the U.S. Treasury, and will be distributed pursuant to a plan to be prepared by Citigroup and submitted within 90 days of the entry of the order for approval by the SEC.

The order requires SBFM to recommend a new transfer agent contract to the Smith Barney Fund Boards within 180 days of the entry of the order. If a Citigroup affiliate submits a proposal to serve as transfer agent or sub-transfer agent, an independent monitor must be engaged at the expenses of SBFM to recommend a new transfer agent contract to the Smith Barney Fund Boards within 180 days of the entry of the order. If a Citigroup affiliate submits a proposal to serve as transfer agent or sub-transfer agent, an independent monitor must be engaged at the expense of SBFM and CGM to oversee a competitive bidding process. Under the order, Citigroup also must comply with an amended version of a vendor policy that Citigroup instituted in August 2004. The policy, as amended, among other things, requires that when requested by a Smith Barney Fund Board, CAM will retain at its own expense an independent consulting expert to advise and assist the Board on the selection of certain service providers affiliated with Citigroup.

Revenue Sharing and Sales of Mutual Fund Class B and C Shares

In March 2005, CGM consented to the issuance of an SEC administrative order for two disclosure failures in the offering and selling of mutual fund shares. First, as alleged in the order, CGM violated the Securities Act of 1933 (“Securities Act”) and Rule 10b-10 under the Securities Exchange Act of 1934 (“Exchange Act”), by failing to disclose that it received revenue sharing payments from mutual fund advisers and distributors in exchange for preferential sales treatment. Second, as alleged in the order, CGM violated the Securities Act by failing to disclose adequately, at the point of sale, that Class B mutual fund shares, in amounts aggregating \$50,000 or more, were subject to higher annual fees. Under the terms of the order, the SEC: (1) imposed a censure against CGM; (2) required CGM to cease and desist from committing or causing any violations and any future violations of the applicable provisions; (3) imposed a \$20 million civil penalty against CGM; and (4) required CGM to comply with certain undertakings, such as retaining an independent consultant to conduct a review of CGM’s mutual fund sales practices and offering affected customers the option of converting their Class B shares into Class A shares.

In March 2005, the NASD censured and fined CGM with respect to CGM's offer and sale of Class B and Class C mutual fund shares during 2002 and the first six months of 2003. The NASD found that CGM failed to disclose that it received revenue sharing payments from mutual fund advisers and distributors, in exchange for preferential sales treatment, and failed to disclose adequately, at the point of sale, that Class B mutual fund shares, in amounts aggregating \$50,000 or more, were subject to higher annual fees. The NASD also found that CGM's supervisory and compliance policies and procedures regarding Class B and Class C shares had not been reasonably designed to ensure that SB Financial Consultants consistently provided adequate disclosure of, or consideration to, the benefits of the various mutual fund share classes as they applied to individual clients. The NASD censured CGM and required CGM to pay a \$6.25 million fine.

Research and Initial Public Offerings

In 2003, Salomon Smith Barney ("SSB"), now known as CGM, settled civil and regulatory actions brought by the SEC, the New York Stock Exchange ("NYSE"), the NASD, the Attorney General of the State of New York ("NYAG"), and state securities regulators, which alleged violations by SSB of certain federal and state securities laws and regulations, and certain NASD and NYSE rules, arising out of certain business practices concerning sell-side research during 1999 to 2001, and initial public offerings ("IPOs") during 1996 to 2000. The actions alleged, among other things, that SSB published fraudulent research reports, permitted inappropriate influence by investment bankers over research analysts, and failed to adequately supervise the employees who engaged in those practices. It was also alleged that SSB engaged in improper "spinning" of shares to executives of investment banking clients and failed to maintain policies and procedures reasonably designed to prevent the potential misuse of material non-public information in certain circumstances. Without admitting or denying the findings, SSB consented to: (1) censures by NASD and the NYSE; (2) cease and desist orders in state proceedings prohibiting SSB from violating certain state laws and regulations; (3) a judgment prohibiting SSB from violating certain laws and regulations; (4) certain operational reforms; (5) participating in a voluntary initiative pursuant to which SSB will no longer make allocations of securities in hot IPOs to accounts of executive officers or directors of U.S. public companies; and (6) a payment of \$400 million.

Market-Timing

On July 13, 2007, the NYSE issued a Hearing Board Decision, in connection with the settlement of an enforcement proceeding brought in conjunction with the New Jersey Bureau of Securities against CGM. The decision held that CGM failed to: (1) adequately supervise certain branch offices and Financial Advisors who engaged in deceptive mutual fund market timing on behalf of certain clients from January 2000 through September 2003 (in both proprietary and non-proprietary funds); (2) prevent the Financial Advisors from engaging in this conduct; and (3) make and keep adequate books and records. Without admitting or denying the findings, CGM agreed to: (a) a censure; (b) establishing a \$35 million distribution fund for disgorgement payments; (c) a penalty of \$10 million (half to be paid to the NYSE and half to be paid to the distribution fund); (d) a penalty of \$5 million to be paid to the State of New Jersey; and (e) appointing a consultant to develop a plan to pay CGM's clients affected by the market timing.

Auction Rate Securities Settlements

On November 13, 2008, in connection with the settlement of a civil action arising out of an investigation by the U.S. Securities and Exchange Commission (the "Commission") into CGM's underwriting, marketing, and sale of auction rate securities ("ARS"). CGM, without admitting or denying the allegations of the Commission's complaint, except as to those relating to personal and subject matter jurisdiction, which were admitted, consented to the entry in the civil action of a Judgment As To Defendant Citigroup Global Markets Inc. (the "Judgment"). Thereafter, on December 11, 2008, the Commission filed its civil action in the federal district court for the Southern District of New York (the "Court"). The Judgment, which was entered on December 23, 2008: (i) permanently enjoined CGM from directly or indirectly violating Section 15(c) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); (ii) provides that, upon later motion of the Commission, the Court shall determine whether it is appropriate to order that CGM pay a civil penalty pursuant to Section 21(d)(3) of the Exchange Act, and if so, the amount of the civil penalty; and (iii) ordered that CGM's Consent be incorporated into the Judgment and that CGM comply with all of the undertakings and agreements set forth in the Consent, which include an offer to buy back at par certain ARS from certain customers. The Commission's Complaint alleged that: (1) CGM misled tens of thousands of its customers regarding the fundamental nature of and risks associated with ARS that CGM underwrote, marketed, and sold; (2) through its financial advisers, sales personnel, and marketing materials, CGM

misrepresented to customers that ARS were safe, highly liquid investments comparable to money market instruments; (3) as a result, numerous CGM customers invested in ARS funds they needed to have available on a short-term basis; (4) in mid-February 2008, CGM decided to stop supporting the auctions; and (5) as a result of the failed auctions, tens of thousands of CGM customers held approximately \$45 billion of illiquid ARS, instead of the liquid short-term investments that CGM had represented ARS to be. CGM reached substantially similar settlements with the New York Attorney General (the “NYAG”) and the Texas State Securities Board (the “TSSB”), although those settlements were administrative in nature and neither involved the filing of a civil action in state court. The settlements with the NYAG and the TSSB differed somewhat from the settlement with the SEC, in that the state settlements: (1) made findings that CGM failed to preserve certain recordings of telephone calls involving the ARS trading desk; and (2) require CGM to refund certain underwriting fees to certain municipal issuers. In addition, as part of the settlement with New York, CGM paid a civil penalty of \$50 million. CGM also has agreed in principle to pay to states other than New York with which it enters into formal settlements a total of \$50 million. CGM paid \$3.59 million of this \$50 million to Texas, as part of the settlement with that state. CGM expects it will reach settlements with the remaining states.

The following settlements relate to activities of Morgan Stanley:

In this section, “MSDW” means Morgan Stanley DW Inc., a predecessor broker-dealer and registered investment adviser that was merged into Morgan Stanley in April 2007.

- The National Association of Securities Dealers Inc. (“NASD”) alleged that, between October 1999 and December 2002, MSDW violated the non-cash compensation provisions of the NASD Conduct Rules (under which MSDW was prohibited from providing its Financial Advisors with non-cash compensation for sales of mutual funds and variable annuities that were not based on total sales and equal weighting). MSDW offered rewards to its Financial Advisors for sales of affiliated mutual funds in general, or particular affiliated mutual funds or certain variable annuities. By a Letter of Acceptance, Waiver and Consent (“LAWC”) dated September 15, 2003, MSDW agreed to: (1) fines totaling \$2.25 million; (2) update its compliance systems and procedures; and (3) retain an independent consultant to review and make recommendations on MSDW’s supervisory and compliance procedures.
- On April 28, 2003, the SEC filed a complaint alleging that Morgan Stanley violated certain NASD and NYSE Conduct Rules (collectively, the “Conduct Rules”) by: creating conflicts of interest for its research analysts with respect to investment banking activity; failing to adequately manage such conflicts; failing to ensure, in offerings where Morgan Stanley was the lead underwriter, that payments made to other broker-dealers for publishing research reports were disclosed by the issuers in the offering documents and the other broker-dealers in their research reports; and failing to supervise properly its research analysts, including with respect to the ratings, price targets and content of the reports of senior research analysts. Without admitting or denying the substantive allegations in the complaint, on October 31, 2003, Morgan Stanley consented to the entry of a final judgment that enjoined Morgan Stanley from violating the Conduct Rules and required it to make payments of \$50 million for past conduct and allocate \$75 million to fund independent research. In addition, Morgan Stanley agreed to a number of structural changes to the operations of its equity research and investment banking operations. Concurrently, Morgan Stanley also entered into a settlement with the NYSE, the NASD, and the Attorney General of the State of New York with respect to the same conduct specified in the Complaint. Morgan Stanley is also in the process of finalizing settlements with the other state and territorial securities administrators.
- The SEC alleged disclosure violations in connection with marketing arrangements between MSDW and certain mutual fund complexes in connection with the offer and sale of Class B shares in certain Morgan Stanley proprietary mutual funds in the amount of \$100,000 or more in a single transaction. The SEC also alleged that receipt of directed brokerage commissions as payment for such marketing arrangements contravened NASD Rule 2830(k). On November 17, 2003, without admitting or denying the findings, MSDW consented to orders including a censure; a cease and desist; and an undertaking to distribute, for the benefit of certain customers, \$50 million, consisting of disgorgement plus prejudgment interest in the amount of \$25 million and a civil penalty of \$25 million. MSDW also made certain other undertakings including: (1) preparing and distributing certain disclosures and a mutual fund bill of rights; (2) permitting certain Class B shares to be converted to Class A shares; and (3) retaining an independent consultant to review, among other things, the completeness of the disclosures and conformity with other aspects of the order.

- In 2004, the NYSE brought an administrative action alleging that Morgan Stanley and MSDW: (1) failed to ensure delivery of prospectuses in connection with certain sales of securities; (2) failed to timely and accurately file daily program trade reports; (3) erroneously executing certain sell orders on a minus tick for securities in which Morgan Stanley held a short position; (4) failed to timely submit RE-3 in connection with certain matters; (5) hired certain individuals subject to statutory disqualification and failed to file fingerprint cards for certain non-registered employees; (6) failed to comply with requirements concerning certain market-on-close and limit-on-close orders; and (7) failed to reasonably supervise certain activities. Morgan Stanley and MSDW resolved the action on January 7, 2005, by consenting, without admitting or denying guilt, to a censure, a fine of \$13 million, and a rescission offer to those clients who should have received a prospectus during the period from June 2003 to September 2004.
 - In January 2005, the SEC filed a complaint in federal court alleging that, during 1999 and 2000, Morgan Stanley violated Regulation M by attempting to induce certain customers who received allocations of IPOs to place purchase orders for additional shares in the aftermarket. No allegation of fraud or impact on the market was made. On January 25, 2005, Morgan Stanley agreed to the entry of a judgment enjoining Morgan Stanley from future violations and the payment of a \$40 million civil penalty. The settlement terms received court approval on February 4, 2005.
- In an LAWC dated August 1, 2005, the NASD found that MSDW failed to establish and maintain a supervisory system, including written procedures, reasonably designed to review and monitor MSDW's fee-based brokerage business, between January 2001 and December 2003. Without admitting or denying the allegations, MSDW consented to the described sanctions and findings, was censured and fined \$1.5 million, and agreed to the payment of restitution to 3,549 customers in the total amount of approximately \$4.7 million, plus interest.
- The SEC alleged that Morgan Stanley violated the Exchange Act by inadvertently failing to timely produce emails to the SEC staff, pursuant to subpoenas, in the SEC's investigation into Morgan Stanley's practices in allocating shares of stock in initial public offerings and an investigation into conflicts of interest between Morgan Stanley's research and investment banking practices. Without admitting or denying the allegations, Morgan Stanley consented to a final judgment on May 12, 2006 in which it was permanently restrained and enjoined from violating the Exchange Act. Morgan Stanley agreed to make payments aggregating \$15 million, which amount was reduced by \$5 million contemporaneously paid by Morgan Stanley to the NASD and the NYSE in related proceedings. Morgan Stanley also agreed to notify the SEC, the NASD and the NYSE that it has adopted and implemented policies and procedures reasonably designed to ensure compliance with the Exchange Act. Morgan Stanley also agreed to provide annual training to its employees responsible for preserving or producing electronic communications and agreed to retain an independent consultant to review and comment on the implementation and effectiveness of the policies, procedures and training.
- On June 27, 2006, the SEC announced the initiation and concurrent settlement of administrative cease and desist proceedings against Morgan Stanley and MSDW for failing to maintain and enforce adequate written policies and procedures to prevent the misuse of material nonpublic information. The SEC found that, from 1997 through 2006, Morgan Stanley and MSDW violated the Exchange Act and the Advisers Act by failing to: (1) conduct any surveillance of a number of accounts and securities; (2) provide adequate guidance to Morgan Stanley's and MSDW's personnel charged with conducting surveillance; and (3) have adequate controls in place with respect to certain aspects of "Watch List" maintenance. The SEC's findings covered different areas from the 1997-through-2006 time period. Morgan Stanley and MSDW were ordered to pay a civil money penalty of \$10 million and agreed to enhance their policies and procedures.
- On August 21, 2006, Morgan Stanley and MSDW entered into an LAWC relating various finds that, at various times between July 1999 and 2005, Morgan Stanley violated a number of NASD and SEC rules. The violations related to areas including: trade reporting through the Nasdaq Market Center (formerly Automated Confirmation Transaction Service (ACT)), Trade Reporting and Compliance Engine (TRACE) and Order Audit Trail System (OATS); market making activities; trading practices; short sales; and large options positions reports. The NASD also found that, at various times during December 2002 and May 2005, MSDW violated NASD rules and MSRB rules related to areas including trade reporting through TRACE, short sales, and OATS. The NASD further found that, in certain cases, Morgan Stanley and MSDW violated NASD Rule 3010, because their supervisory systems did not provide supervision reasonably designed to achieve compliance with applicable securities laws, regulations and/or rules.

Without admitting or denying the findings, Morgan Stanley and MSDW consented to the LAWC. In the LAWC, Morgan Stanley and MSDW were censured, required to pay a monetary fine of \$2.9 million and agreed to make restitution to the parties involved in certain transactions, plus interest, from the date of the violative conduct until the date of the LAWC. Morgan Stanley and MSDW also consented to (1) revise their written supervisory procedures and (2) provide a report that described the corrective action that they completed during the year preceding the LAWC to address regulatory issues and violations addressed in the LAWC, and the ongoing corrective action that they were in the process of completing.

- On May 9, 2007, the SEC issued an Order (the “May 2007 Order”), settling an administrative action with Morgan Stanley. In this matter, the SEC found that Morgan Stanley violated its duty of best execution under the Exchange Act. In particular, the SEC found that, during the period of October 24, 2001 through December 8, 2004, Morgan Stanley’s proprietary market-making system failed to provide best execution to certain retail OTC orders. In December 2004, Morgan Stanley removed the computer code in the proprietary market-making system that caused the best execution violations. Morgan Stanley consented, without admitting or denying the findings: to a censure, to cease and desist from committing or causing future violations, to pay disgorgement of approximately \$5.9 million plus prejudgment interest on that amount, and to pay a civil penalty of \$1.5 million. Morgan Stanley also consented to retain an Independent Compliance Consultant to review its policies and procedures in connection with its market-making system’s order-handling procedures and its controls relating to changes to those procedures, and to develop a better plan of distribution.
- On July 13, 2007, the NYSE issued a Hearing Board Decision in connection with the settlement of an enforcement proceeding brought in conjunction with the New Jersey Bureau of Securities against CGM. The decision held that CGM failed to: (1) adequately supervise certain branch offices and Financial Advisors who engaged in deceptive mutual fund market timing on behalf of certain clients from January 2000 through September 2003 (in both proprietary and non-proprietary funds); (2) prevent the Financial Advisors from engaging in this conduct; and (3) make and keep adequate books and records. Without admitting or denying the findings, CGM agreed to: (a) a censure; (b) establishing a \$35 million distribution fund for disgorgement payments; (c) a penalty of \$10 million (half to be paid to the NYSE and half to be paid to the distribution fund); (d) a penalty of \$5 million to be paid to the State of New Jersey; and (e) appointing a consultant to develop a plan to pay CGM’s clients affected by the market timing.
- On September 27, 2007, Morgan Stanley entered into a LAWC with Financial Industry Regulatory Authority (“FINRA”). FINRA found that, from October 2001 through March 2005, MSDW: provided inaccurate information to arbitration claimants and regulators regarding the existence of pre-September 11, 2001 emails; failed to provide such emails in response to discovery requests and regulatory inquiries; failed adequately to preserve books and records; and failed to establish and maintain systems and written procedures reasonably designed to preserve required records and to ensure that it conducted adequate searches in response to regulatory inquiries and discovery requests. FINRA also found that MSDW failed to provide arbitration claimants with updates to a supervisory manual in discovery from late 1999 through the end of 2005. Morgan Stanley agreed, without admitting or denying these findings, to establish a \$9.5 million fund for the benefit of potentially affected arbitration claimants. In addition, Morgan Stanley was censured and agreed to pay a \$3 million regulatory fine and to retain an independent consultant to review its procedures for complying with discovery requirements in arbitration proceedings relating to its retail brokerage operations.
- On October 10, 2007, Morgan Stanley became the subject of an Order Instituting Administrative and Cease-and-Desist Proceedings (“October 2007 Order”) by the SEC. The October 2007 Order found that, from 2000 until 2005, Morgan Stanley and MSDW failed to provide to their retail customers accurate and complete written trade confirmations for certain fixed income securities in violation of the Exchange Act, and MSRB rules. In addition, Morgan Stanley was ordered to cease and desist from committing or causing any future violations, and was required to pay a \$7.5 million penalty and to retain an independent consultant to review Morgan Stanley’s applicable policies and procedures. Morgan Stanley consented to the issuance of the October 2007 Order without admitting or denying the SEC’s findings.
- On December 18, 2007, Morgan Stanley became the subject of an Order Instituting Administrative Cease-and-Desist Proceedings (“December 2007 Order”) by the SEC. The December 2007 Order found that, from January 2002 until August 2003, MSDW (a) failed to reasonably supervise four Financial Advisors, with a view to preventing and detecting their mutual fund market-timing activities and (b) violated the Investment Company Act of 1940 by allowing multiple mutual fund trades that were placed or amended after the close of trading to

be priced at that day's closing net asset value. The December 2007 Order also found that, from 2000 through 2003, MSDW violated the Exchange Act by not making and keeping records of customer orders placed after the market close and orders placed for certain hedge fund customers in variable annuity sub-accounts. Without admitting or denying the SEC's findings, Morgan Stanley agreed to a censure, to cease and desist from future violations of the applicable provisions, to pay a penalty of approximately \$11.9 million, to disgorge profits related to the trading activity (including prejudgment interest) of approximately \$5.1 million, and to retain an independent distribution consultant.

- In May 2005, Morgan Stanley and MSDW discovered that, from about January 1997 until May 2005, their order entry systems did not check whether certain secondary market securities transactions complied with state registration requirements known as "Blue Sky" laws. This resulted in the improper sale of securities that were not registered in 46 state and territorial jurisdictions. Morgan Stanley and MSDW conducted an internal investigation, repaired system errors, self-reported the problem to all affected states and the New York Stock Exchange, identified transactions which were executed in violation of the Blue Sky laws, and offered rescission to affected customers. Morgan Stanley settled the state regulatory issues in a multi-state settlement with the 46 affected state and territorial jurisdictions. Under the settlement, Morgan Stanley consented to a cease-and-desist order with, and agreed to pay a total civil monetary penalty of \$8.5 million to be divided among, each of the 46 state and territorial jurisdictions. The first order was issued by Alabama on March 19, 2008, and orders are expected to be issued by subsequent states over the coming months.
- On August 13, 2008, MS&Co. agreed on the general terms of a settlement with the Office of the New York State Attorney General ("NYAG") and the Office of the Illinois Secretary of State, Securities Department ("Illinois") (on behalf of a task force of the North American Securities Administrators Association) with respect to the sale of auction rate securities ("ARS"). MS&Co. agreed, among other things, to repurchase at par approximately \$4.5 billion of illiquid ARS held by certain clients of MS&Co. which were purchased prior to February 13, 2008. Additionally, MS&Co. has agreed to pay a total fine of \$35 million. Final Agreements were entered into with the NYAG on June 2, 2009 and with Illinois on September 17, 2009. The Illinois agreement serves as the template for agreements with the other NASAA jurisdictions.
- On March 25, 2009, Morgan Stanley entered into a LAWC with FINRA. FINRA found that, from 1998 through 2003, MSDW failed to reasonably supervise the activities of two Financial Advisors in one of its branches. FINRA found that these Financial Advisors solicited brokerage and investment advisory business from retirees and potential retirees of certain large companies by promoting unrealistic investment returns and failing to disclose material information. FINRA also held that Morgan Stanley failed to ensure that the securities and accounts recommended for the retirees were properly reviewed for appropriate risk disclosure, suitability and other concerns. Morgan Stanley consented, without admitting or denying the findings, to a censure, a fine of \$3 million, and restitution of approximately \$2.4 million plus interest to 90 former clients of the Financial Advisors.

BIOGRAPHICAL INFORMATION

The following brief biographical information describes personnel at Morgan Stanley Smith Barney LLC, who are either principal executive officers or who have supervisory responsibility with regard to the investment management and consulting programs described in this brochure. In the brief biographical sketches in this section, references to "Morgan Stanley" may include Morgan Stanley & Co. Incorporated, predecessor companies and affiliates.

Principal Executive Officers

Charles D. Johnston, born in 1953, is Chief Executive Officer and President of MSSB. Previously, Mr. Johnston was the President and Chief Executive Officer of the Smith Barney Global Private Client Group division of CGM. He was also a Senior Executive Vice President of CGM. Prior to holding these positions, Mr. Johnston was the Director of Smith Barney Private Client Group's Branch System, and a Divisional Director, Midwest Division of Smith Barney. He had been with CGM or its predecessor companies since 1982. Mr. Johnston holds a B.A. degree from Purdue University.

Jim Rosenthal, born in 1953, is the Chief Operating Officer of MSSB and Head of Corporate Strategy for Morgan Stanley; he is also a member of the Firm's Management and Operating Committees. Prior to assuming his current role in January 2010, Mr. Rosenthal was the Head of Firmwide Technology and Operations for Morgan Stanley and the Head of Integration for MSSB. Mr. Rosenthal joined the Firm in 2008 from Tishman Speyer, where he had

served as Chief Financial Officer since 2006. Prior to that, he worked at Lehman Brothers from 1999 to 2005, where he was Head of Corporate Strategy and Corporate Development and a member of the Management Committee. Mr. Rosenthal was with McKinsey & Company from 1986 to 1999, where he was a Senior Partner specializing in financial institutions, and Co-Head of the Investment Banking Practice. Mr. Rosenthal has a B.A. degree from Yale and a J.D. degree from Harvard Law School.

Jeff Gelfand, born in 1951, Managing Director, is Chief Financial Officer of MSSB. Previously, he was Director of Finance for Morgan Stanley's Global Wealth Management and Investment Management Groups. Mr. Gelfand joined Morgan Stanley in 2006 as CFO for the Global Wealth Management Group. Prior to joining Morgan Stanley, he served as the CFO for Wachovia Securities, LLC from 2003 to 2006. Prior to this, Mr. Gelfand was with Merrill Lynch & Co., where he held various roles in Finance, including CFO for Merrill's Global Private Client group. He has a B.S. in Chemical Engineering from Cornell University and an M.B.A. in Finance and Accounting from Columbia University.

Eric F. Grossman, born in 1967, Managing Director, is the General Counsel of MSSB and Global Head of Litigation for Morgan Stanley. Previously, he was General Counsel of the Global Wealth Management Group of Morgan Stanley and Global Head of Litigation for Morgan Stanley. Prior to joining Morgan Stanley in January 2006, Mr. Grossman worked at Davis Polk and Wardwell from 1994 to 2006, where he became a partner in 2001. Mr. Grossman has a B.A. from Hamilton College and a J.D. (magna cum laude, Order of the Coif) from Fordham University School of Law.

Michelle Oroschakoff, born in 1961, Managing Director, is Chief Compliance Officer ("CCO") of MSSB. Previously, she held a number of roles in Morgan Stanley's Legal and Compliance Department, including CCO of Morgan Stanley's Global Wealth Management Group and managing the Litigation Department in Morgan Stanley's San Francisco office. Ms. Oroschakoff has worked for Morgan Stanley since 1993, except when she acted as the General Counsel for Fisher Investments, a registered investment adviser in Woodside, California, from 2004 to 2006. She has a B.A. from the University of Oregon and a J.D. (cum laude, Order of the Coif) from the University of Michigan.

Consulting Group

James J. Tracy, born in 1957, has been a Managing Director and Director of the Consulting Group ("CG") for MSSB since June 2009. Previously, Mr. Tracy was an Executive Vice President and Director of Business Development for Citi Global Wealth Management and the Director of Smith Barney's Investment Advisory Services group. In his position, Mr. Tracy was responsible for National Sales, Professional Development, Recruiting and Marketing for GWM. Mr. Tracy also oversaw the Consulting Group, Portfolio Management Group, Smith Barney Advisor Program and Citi Institutional Consulting. He had been with CGM or its predecessor firms since 1988. Mr. Tracy received a B.A. in Accounting and Management from Marietta College in Ohio.

Matthew P. Knapp, born in 1970, has been an Executive Director and the CCO of the Advisory Compliance Group for MSSB since June 2009. Previously, Mr. Knapp was the Director for the Advisory Compliance Group of Morgan Stanley's Global Wealth Management Group and CCO of the investment advisory businesses at Morgan Stanley. Mr. Knapp joined Morgan Stanley in 1994 in the Annuity and Insurance Services Division. In 1998, he joined the Legal and Compliance Division. From 2005 to 2006, Mr. Knapp was a Senior Vice President at Citigroup Corporate and Investment Bank. Mr. Knapp received his B.A. from Manhattan College and is a FINRA General Securities Representative.

Thomas J. Butler, born 1957, is a Managing Director of Morgan Stanley Smith Barney and is the Head of Products & Platform Development, Business Management and Operations for the Consulting Group. Previously, Mr. Butler was the head of Citi's Global Wealth Management International Client Solutions unit and the Chief Operating Officer of the Investments Unit within Citi's Global Wealth Management. Prior to joining Citi in 1998, Mr. Butler headed a structured finance unit at UBS Securities LLC and was Principal and Counsel at Babcock & Brown, a boutique investment bank. Mr. Butler received his B.A. from Rutgers University in 1979 and his J.D. from Rutgers University School of Law - Newark in 1982. Mr. Butler was formerly licensed to practice law in the states of NY, NJ and Texas and currently holds his Series 24, 7 and 63 securities licenses.

Henry Kaplan, born in 1959, has been a Managing Director and the Associate Director of CG and Director of Institutional Client Services for MSSB since June 2009. Previously, Mr. Kaplan was a Managing Director of Morgan Stanley and the head of Morgan Stanley's Consulting Services Group, which included Investment

Consulting Services, Personal Portfolio, the Mutual Fund Advisory Group and Custom Portfolio Group. He joined Morgan Stanley in 1985 as a Financial Analyst and worked in Corporate Planning and Financial Administration. In 1987, he became a Financial Advisor in the firm's Washington, D.C. office. Mr. Kaplan returned to New York in 1990 to join the Marketing Department and work on firm-wide strategic initiatives. He became Manager of Marketing Information Services in 1992 and Manager of Account Services Marketing in 1995. Mr. Kaplan received a B.A. in Political Science from the State University of New York at Binghamton and an M.I.A. from the Columbia University School of International and Public Affairs.

Glenn Regan, born in 1965, has been a Managing Director and the Director of the Consulting Group Investment Advisor Research for MSSB since June 2009. Previously, Mr. Regan was a Managing Director of CGM, Head of Investment Advisor Research for the Global Wealth Management sector of Citi, and Chief Investment Officer of Smith Barney's Consulting Group. He had been with CGM or its predecessor firms since 1987. Mr. Regan received a B.S. in Business Administration from Syracuse University School of Management. Mr. Regan is a charter holder of the CFA designation.