Form ADV Wrap Fee Program Brochure
Morgan Stanley Smith Barney LLC

SMITH BARNEY COLLECTIVE FUNDS ASSET ALLOCATION Program
SMITH BARNEY TRAK 401(k) Program®

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This wrap fee program brochure provides information about the qualifications and business practices of Morgan Stanley Smith Barney LLC ("MSSB"). If you have any questions about the contents of this brochure, please contact us at tel. (914) 225-1000 or client.services@mssb.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about MSSB also is available on the SEC's website at www.adviserinfo.sec.gov. Registration with the SEC does not imply a certain level of skill or training.

MorganStanley
SmithBarney

Item 2: Material Changes

Not applicable

Item 3: Table of Contents

Item 4: Services, Fees and Compensation

Morgan Stanley Smith Barney LLC ("MSSB", "we" or "us") is, among other things, a registered investment adviser, a registered broker-dealer, a registered futures commission merchant, and a member of the New York Stock Exchange. MSSB is one of the largest financial services firms in the country with branch offices in all 50 states and the District of Columbia.

In June 2009, Morgan Stanley ("Morgan Stanley Parent") and Citigroup Inc. ("Citi") combined the Global Wealth Management Group of Morgan Stanley & Co. Incorporated ("MS&Co.") and the Smith Barney and related businesses of Citi affiliates. Under the terms of the agreement, Citi sold 100% of its Smith Barney, Smith Barney Australia and Quilter units for a 49% stake in the joint venture company and an upfront cash payment of $2.7 billion. Morgan Stanley Parent exchanged 100% of its Global Wealth Management business for a 51% stake in the joint venture company. After year three, Morgan Stanley Parent and Citi will have various purchase and sale rights for the joint venture company, but Citi will continue to own a significant stake in the joint venture company at least through year five. The joint venture owns MSSB.

MSSB's investment advisory services are provided through two channels. One channel generally provides the investment advisory programs previously provided by Smith Barney and/or Citigroup Global Markets Inc. ("CGM") ("SB Channel") and generally provides these programs through the same businesses and retail locations as did Smith Barney and/or CGM. The other channel generally provides the investment advisory programs previously provided by MS&Co. and generally provides these programs through the same businesses and retail locations as did MS&Co. ("MS Channel").

MSSB offers clients ("client", "you" and "your") many different advisory programs. Many of MSSB's advisory services are provided by its Consulting Group ("CG") business unit. Some advisory programs offered in the SB Channel and MS Channel are very similar to each other and may have different names based on the channel in which they are offered. Other programs may have the same name in both channels but the program details may differ in some respects between the channels. Some programs are available only in one channel. You may obtain brochures for other MSSB investment advisory programs at www.smithbarney.com/ADV or by asking your Financial Advisor.

MSSB is in the process of merging the SB Channel and MS Channel advisory programs. Until the programs merge, clients' assets will be custodied at either CGM (for SB Channel clients) or MSSB (for MS Channel clients). However, in the programs described in this brochure a third party trust company is the custodian.

A. General Description of Programs and Services

SMITH BARNEY COLLECTIVE FUNDS ASSET ALLOCATION PROGRAM (SB Channel)

The Smith Barney Collective Fund Asset Allocation program ("CFAA") is sponsored by CG and offered jointly through First State Trust Company ("FSTC") and MSSB. Under the CFAA program, a Plan that is investing (or intends to invest) assets in the collective funds may engage MSSB to provide the Plan participants ("Participants") with recommendations on the allocation of their Plan assets among certain collective funds available under in the CFAA program. To participate in the CFAA program, a Plan must select for its investment platform certain collective funds designated by MSSB as an "Asset Allocation Group." The CFAA program is not available if a Plan offers investment options to its Participants in collective funds that are not part of an Asset Allocation Group. Currently, the Asset Allocation Groups do not include any of the collective funds that MSSB considers balanced funds (the "Balanced Funds"). A Plan may make available to its Participants one or more of the Balanced Funds and still participate in the CFAA program. However, MSSB will not take into account any Balanced Fund offered by the Plan when providing asset allocation recommendations to Participants.

All the collective funds are sub-advised by recognized institutional investment management firms. FSTC's Investment Committee selects each sub-advisor taking into consideration research provided by the Consulting Group Investment Advisor Research department ("CG IAR"). This process includes an examination of the firms' investment process, portfolio management team, business structure and performance, among other criteria. CG IAR regularly monitors and reviewed each sub-advisor to ensure they continue to maintain the level of investment quality for which it was initially hired.

Participant Recommendations

The Participant Investment Planner Questionnaire. Each eligible plan participant may complete a questionnaire, which requests information on the participant's then current age, salary, years to retirement, risk tolerance and certain other information.

The Participant Investment Planner. MSSB will provide each participant that completes a questionnaire with a participant investment planner report ("PIP"). The PIP will contain, among other things, MSSB's advice, based on the information contained in the questionnaire, as to an appropriate allocation (the "MSSB Recommended Allocation") of the plan assets attributable to that participant among the Sponsor Recommended Funds.

If a participant's risk profile or any other circumstances relevant to the MSSB Recommended Allocation changes, the participant may complete a new PIP questionnaire, in which event MSSB will issue a new MSSB Recommended Allocation, appropriate for the participant's changed circumstances.

From time to time MSSB may determine that, because of changed market or other conditions, it is appropriate to revise the Recommended Allocation previously made to Participants. If

MSSB has an arrangement with a Plan's record keeper (the "Record Keeper") pursuant to which MSSB allows the Record Keeper access to certain information maintained by MSSB (or its agents) regarding Recommendations made to the Plan's Participants (an "Information Sharing Arrangement"), MSSB will communicate the revised Recommendations to the Record Keeper, who will then have sole responsibility for communicating them to Participants. In cases where an Information Sharing Arrangement does not exist, MSSB will make available to Participants that have completed a questionnaire a revised Recommendation via an internet web site.

The Smith Barney Collective Funds Asset Allocation program is closed to new Plans; however, employees-participants of the current clients may open new accounts within this program and invest their plan assets in the First State Trust Company Collective Trust Funds.

SMITH BARNEY TRAK 401(k) Program® (SB Channel)

The Smith Barney TRAK 401(k) program ("TRAK 401(k)") is a mutual fund wrap program available to Plan Participants consisting of the TRAK Consulting Group Capital Market Funds ("CGCM"), a Stable Value Fund and a few more mutual fund investment options (alternative style strategies). Consulting Group Advisory Services LLC ("CGAS") advises and manages the CGCM Funds. CGAS selects sub-advisers for each of the mutual fund portfolios. Although none of the sub-advisers are affiliated with MSSB, CGAS is affiliated with MSSB.

MSSB makes available to the sponsors of defined contribution retirement plans the TRAK 401(k) program under which MSSB or its affiliates provide investment advice to participants of the plans (the "Advisory Service"). CG provides plan participants with individualized recommendations regarding the allocation of their assets among the mutual funds available under the plan.

The program features are the same as the Smith Barney Collective Funds Asset Allocation Program and FSTC is the custodian of the clients' assets. Clients use the PIP system (described above) to obtain an asset allocation recommendation.

In addition to the TRAK CGCM funds, TRAK 401(k) clients may invest in a Stable Value Trust. The Portfolios' and Stable Value fees and expenses are described in detail in the prospectus(es) for the Trust.

ALL TRAK 401(K) CLIENTS SHOULD REVIEW THE ADDENDUM RELATING TO THE DEPARTMENT OF LABOR EXEMPTION

PROGRAM FEATURES

Investment Discretion. In the programs listed in this brochure, neither MSSB nor any affiliated entity has any investment discretion over the client's account. The client makes all investment decisions.

Fund Managers. The sub advisers of the mutual funds or collective funds that MSSB selects to participate in the programs may employ the same or substantially similar investment strategies, and may hold similar portfolios of investments, in other investment products or programs that they manage, such as managed account programs. These other products or programs may be available through MSSB or elsewhere. The costs and the services relating to the other products or programs in which these strategies are offered will differ.

Fund Prospectuses and Profiles. To assist clients in selecting funds, MSSB can provide profiles for each mutual fund or collective fund identified to a client. MSSB does not guarantee the accuracy of historical performance information and other information in these profiles.

The prospectuses of the mutual funds participating in the Program are available from Financial Advisors. You should carefully review and evaluate each selected mutual fund's profile and prospectus, including the fees and expenses associated with investments in these funds.

Limitations on Trading. Clients generally may invest in and sell mutual funds available in the Program. A client may be prevented from buying and/or selling shares of a mutual fund if the client has engaged in, or is deemed to have engaged in short-term trading or excessive trading.

Termination of Client Agreement. Either MSSB or the client may terminate the client agreement. In the TRAK 401(k) program, if you terminate your advisory agreement, we will liquidate all your TRAK CGCM mutual fund shares.

Please consider the investment objectives, risks and charges and expenses of each mutual fund carefully before investing. A mutual fund's prospectus contains this and other information about the fund and may be obtained from your Financial Advisor. Please read it carefully before investing in a mutual fund.

Restrictions
In each of these programs, you can not impose restrictions.

Trade Confirmations, Account Statements and Performance Reviews
FSTC is the custodian and provides you with written confirmation of securities transactions, and account statements at least quarterly.

FSTC will make available to plan participants investment monitoring at least quarterly. These reviews include the following:

- Individual Account performance & Activity
- Recommended Asset Allocation % based on the participant's advice model
- Performance by fund vs. benchmarks
- MSSB Global Investment Committee Quarterly Commentary

Risks

All trading in an account is at your risk. The value of the assets held in an account is subject to a variety of factors, such as the liquidity and volatility of the securities markets. Investment performance of any kind is not guaranteed and does not predict future performance with respect to any particular account.

Risks Relating to Money Market Funds. An investment in a money market fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation ("FDIC") or any other government agency. Although money market funds seek to preserve the value of your investment at $1.00 per share, there is no assurance that will occur, and it is possible to lose money if the fund value per share falls. 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 are 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 or withdrawals from your account.

Fees

CFAA. In the CFAA program, in connection with its decision to invest Plan assets in the funds, a Plan will pay FSTC, an annual fee (the "Fee") for standard CFAA services. These CFAA services, which include the CFAA program, are further described in certain new account materials the Plan completes. The annual Fee will depend on the level of services provided by FSTC, MSSB, and the Financial Advisor servicing the Plan, but generally will not exceed 1.55% of the Plan assets invested in the funds. The annual Fee generally is payable quarterly, in arrears and includes FSTC's fee for acting as custodian and/or trustee. If a Plan terminates its participation in the Funds in the middle of a quarterly payment period, a fee will be charged from the beginning of the quarter through the termination date. A plan will be subject to the Fee commencing on the date that MSSB begins providing the Service to the Plan.

MSSB charges FSTC an annual fee of up to 0.07% on assets of the collective funds. This MSSB Fee is for the investment advice assisting FSTC in the selection of sub-advisers.

TRAK 401(k). In the TRAK 401(k) program, the client pays an asset-based fee to MSSB (the "MSSB Fee"), which covers MSSB investment advisory services, trade execution with or through CGM, as well as compensation to any Financial Advisor. The MSSB Fee is up to 1.50% of the market value of the client's account.

In the TRAK 401(k) program, MSSB will retain an investment management fee (CGAS providing investment advice to the TRAK CGCM Funds) of 0.20%. Therefore, to the extent you invest in any funds that pay CGAS a fee greater than 0.20%, you will receive a credit to your investment advisory fee of the amount greater than 0.20%. Notwithstanding the above, MSSB will not receive any fees from the Money Market Investments fund. Please see your client agreement for more information.

Fees for the programs described in this brochure are negotiable based on a number of factors including the type and size of the account and the range of services provided by the Financial Advisor. In special circumstances, and with the client's agreement, the fee charged to a client for an account may be more than the maximum annual fee stated in this section.

Each plan will pay separate recordkeeping and administration fees to FSTC. FSTC may also receive fees from mutual funds or collective funds, for services rendered by FSTC. Please review the FSTC documents for more information.

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

B. Comparing Costs

The primary service that you are purchasing in the programs described in this brochure is asset allocation advice and investment options that are reviewed by CG. In other programs, you may purchase advice features and investment options, however, you may pay other types of fees. You should consider these and other differences when deciding whether to invest in an investment advisory or other account and, if applicable, which advisory programs best suit your individual needs.

C. Additional Fees

If you open an account in one of the programs described in this brochure, you will pay us an asset-based MSSB Fee. This covers MSSB investment advisory services, trade execution with or through CGM, as well as compensation to any Financial Advisor. The program fees do not cover:

- the costs of investment management fees and other expenses charged by mutual funds (see below for more details)
- account closing/transfer costs
- processing fees or
- certain other costs or charges that may be imposed by third parties (including, among other things, odd-lot differentials, transfer taxes, foreign custody fees, exchange fees, supplemental transaction fees, regulatory fees and other fees or taxes that may be imposed pursuant to law).

Funds in Advisory Programs

Investing in mutual funds has additional expenses. In addition to our fee, you pay the fees and expenses of the mutual funds in which your account is invested. Fund fees and expenses are charged directly to the pool of assets the Fund invests in and are reflected in each Fund's share price. These fees and expenses are an additional cost to you and are not included in the fee amount in your account statements. Each mutual fund expense ratio (the total amount of fees and expenses charged by the fund) is stated in its prospectus. The expense ratio generally reflects the costs incurred by shareholders during the mutual fund's most recent fiscal reporting period. Current and future expenses may differ from those stated in the prospectus.

You do not pay any sales charges for purchases of mutual funds in programs described in this brochure. However, some mutual funds may charge, and not waive, a redemption fee on certain transaction activity in accordance with their prospectuses.

Certain 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.

Transaction-Related Agreements with MS&Co., Citi and Affiliates. In connection with creating the joint venture, certain agreements were entered into between or involving some or all of MSSB, MS&Co, Citi, CGM and their affiliates, including the following:

- *Clearing.* An agreement providing that, subject to best execution, MS&Co. and CGM (or their applicable affiliates) will act as fully-disclosed clearing brokers for MSSB, which will act as an introducing broker. MSSB may have a conflict of interest in introducing client trades to MS&Co. and CGM. (As of the date of this brochure, MSSB is the clearing broker for most of the MS Channel's investment advisory programs. MS&Co. is the clearing broker for some investment advisory programs offered by the MS Channel's Private Wealth Management division. CGM is the clearing broker for SB Channel clients.)
- *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 MS&Co., Citi, CGM and their affiliates. MSSB has a conflict of interest in transmitting client orders to these entities.
- *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 MS&Co., Citi or their affiliates. MSSB has a conflict of interest in offering, recommending or purchasing any such security or other product to or for its investment advisory clients.
- *Investment Research.* An agreement that MS&Co. and CGM (or their applicable affiliates) will supply investment research prepared by their respective research groups to MSSB for its use. It is possible that MS&Co.'s research group, on the one hand, and Citi'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 investment advisory clients.

D. Compensation to Financial Advisors

If you invest in one of the programs described in this brochure, a portion of the fees payable to us in connection with your account is allocated on an ongoing basis to your Financial Advisor. The amount allocated to your Financial Advisor in connection with accounts opened in programs described in this brochure may be more than if you participated in other MSSB investment advisory programs, or if you paid separately for investment advice, brokerage and other services. The rate of compensation that MSSB pays Financial Advisors with respect to program account fees is typically higher than the rate that MSSB pays Financial Advisors on trades executed in transaction-based brokerage accounts. Your Financial Advisor may therefore have a financial incentive to recommend one of the programs in this brochure instead of other MSSB programs or services.

If you invest in one of the programs described in this brochure, the Financial Advisor may charge a fee less than the maximum fee stated above. The amount of the fee you pay is a factor we use in calculating the compensation we pay your Financial Advisor. Therefore, Financial Advisors have a financial incentive not to reduce fees. If your fee rate is below a certain threshold in the programs listed in this brochure and other advisory programs, we give your Financial Advisor credit for less than the total amount of your fee in calculating his or her compensation. Therefore, Financial Advisors also have a financial incentive not to reduce fees below that threshold.

Item 5: Account Requirements and Types of Clients

The programs in this brochure are closed to new clients, therefore, this question is not applicable..

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

Item 6: Portfolio Manager Selection and Evaluation

A. Selection and Review of Portfolio Managers and Funds for the Programs

This section is not applicable to the programs described in this brochure.

Calculating Performance

This section is not applicable to the programs described in this brochure.

B. Related Persons Acting as a Portfolio Manager

In the programs described in this brochure, no affiliates, related persons or supervised persons of MSSB act as portfolio manager. However, MSSB has various conflicts of interest, described below.

Payments from Mutual Funds and Collective Funds. Some of the funds offered in the programs described in this brochure are those that have agreed to pay us the types of payments described above in Item 4.A. We have a conflict of interest in offering certain funds because we or our affiliates earn more money in your account from your investments in funds that pay us more than from other fund that pay us less. However, we do not share this money with your Financial Advisor (i.e. the

compensation we pay to your Financial Advisor is not affected by the payments we receive from the funds). Therefore, your Financial Advisor does not have a resulting incentive to buy certain funds rather than other funds.

Payments from Managers. Managers participating in MSSB-sponsored internal training and education conferences and meetings may make payments to, or for the benefit of, MSSB or its Financial Advisors to offset the expenses incurred for these events. On request, your Financial Advisor can provide you with a schedule of these payments.

While we provide sponsorship opportunities to all managers of separately managed accounts and mutual funds in our investment advisory programs, certain managers (referred to as "Global Partners") dedicate significant financial and staffing resources to these activities. Global Partners may receive additional opportunities to sponsor MSSB events and promote their products to Financial Advisors and clients. This could lead Financial Advisors to focus on products managed by our Global Partners when recommending products to clients instead of those from other managers that do not commit similar resources to educational, marketing and other promotional efforts. MSSB selects managers to be Global Partners based on quantitative and qualitative criteria.

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

Managers are allowed to occasionally give nominal gifts to Financial Advisors, and to occasionally entertain Financial Advisors, subject to a limit of $1,000 per employee per year. MSSB's non-cash compensation policies set conditions for each of these types of payments, and do not permit any gifts or entertainment conditioned on achieving a sales target. On request, your Financial Advisor can provide you with an annual estimate of the aggregate value of gifts or entertainment that managers pay or provide to MSSB or particular Financial Advisors.

We address conflicts of interest by ensuring that any payments described in this "Payments to Managers" section do not relate to any particular transactions or investment made by MSSB clients with managers. Managers participating in programs described in this brochure are not required to make any of these types of payments. The payments described in this section comply with FINRA rules relating to such activities.

C. Financial Advisors acting as Portfolio Managers

This section is not applicable to the programs described in this brochure.

Item 7: Client Information Provided to Portfolio Managers

This section is not applicable to the programs described in this brochure.

Item 8: Client Contact with Portfolio Managers

In the programs described in this brochure, you may contact your Financial Advisor at any time during normal business hours. Clients will not be able to contact the mutual fund portfolio manager.

Item 9: Additional Information

Disciplinary Information

This section contains information on certain legal and disciplinary events.

In this section, "MSDW" means Morgan Stanley DW Inc., a predecessor broker-dealer of MS&Co. and registered investment adviser that was merged into MS&Co. in April 2007. MS&Co. and CGM are predecessor broker-dealer firms of MSSB.

- 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 MS&Co. violated certain NASD and New York Stock Exchange ("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 MS&Co. 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, MS&Co. consented to the entry of a final judgment that enjoined MS&Co. 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, MS&Co. agreed to a number of structural changes to the operations of its equity research and investment banking operations. Concurrently, MS&Co. 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. MS&Co. is also in the process of finalizing settlements with the other state and territorial securities administrators.

- In 2003, Solomon Smith Barney ("SSB"), now known as CGM, settled civil and regulatory actions brought by the SEC, the NYSE, the NASD, the Attorney General of the State of New York ("NYAG"), and state securities regulators, which alleged violations of certain federal and state securities laws and regulations, and certain NASD and NYSE rules, by SSB 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.

- 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 dollars, consisting of disgorgement plus prejudgment interest in the amount of $25 million and 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 MS&Co. 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 executed certain sell orders on a minus tick for securities in which MS&Co. 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. MS&Co. 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, MS&Co. violated Regulation M by attempting to induce certain customers who received allocations of IPOs to place purchase orders for additional shares in the aftermarket. The SEC did not allege fraud or impact on the market. On January 25, 2005, MS&Co. agreed to the entry of a judgment enjoining MS&Co. from future violations and the payment of a $40 million civil penalty. The settlement terms received court approval on February 4, 2005.

- In March 2005, the SEC entered an administrative and cease and desist order against CGM for two disclosure failures by CGM in offering and selling mutual fund shares. Firstly, CGM received from mutual fund advisers and distributors revenue sharing payments, in exchange for which CGM granted mutual funds preferential sales treatment. The order found that CGM did not adequately disclose its revenue sharing program to its clients, in violation of the Securities Act of 1933 ("Securities Act") and Rule 10b-10 under the Securities Exchange Act of 1934 ("Exchange Act"). Secondly, on sales of Class B mutual fund shares in amounts aggregating $50,000 or more, the order found that CGM, in violation of the Securities Act, failed to disclose adequately at the point of sale that such shares were subject to higher annual fees. These fees could have a negative impact on client investment returns, depending on the amount invested and the intended holding period. The SEC order censured CGM, required CGM to cease and desist from future violations of the applicable provisions, and required CGM to pay a $20 million penalty.

- 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 either had not adequately disclosed at the point of sale, or had not adequately considered in connection with its recommendations to clients to purchase Class B and Class C shares, the differences in share classes and that an equal investment in Class A shares generally would have been more advantageous for the clients. 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.

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

  The SEC order found that SBFM and CGM willfully violated section 206(1) of the Investment Advisers Act of 1940 ("Advisers Act"). Specifically, the order found 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 Services 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 Citigroup Asset Management ("CAM"), the Citi 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 found 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 materials provided to the Smith Barney Funds' 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 interests and that no viable alternatives existed. SBFM and CGM did not admit or deny any wrongdoing or liability. The settlement did not establish wrongdoing or liability for purposes of any other 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 required Citi 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.

  The order required 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 Citi affiliate submitted 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, Citi also must comply with an amended version of a vendor policy that Citi instituted in August 2004. That 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 Citi.

- In a 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 and 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 MS&Co. violated the Exchange Act by inadvertently failing to timely produce emails to the SEC staff pursuant to subpoenas in the SEC's investigation into MS&Co.'s practices in allocating shares of stock in IPOs and an investigation into conflicts of interest between MS&Co.'s research and investment banking practices. Without admitting or denying the allegations, MS&Co. consented to a final judgment on May 12, 2006 in which it was permanently restrained and enjoined from violating the Exchange Act. MS&Co. agreed to make payments aggregating $15 million, which amount was reduced by $5 million contemporaneously paid by MS&Co. to the NASD and the NYSE in related proceedings. MS&Co. 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. MS&Co. 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 MS&Co. 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, MS&Co. 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 MS&Co.'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. MS&Co. 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, MS&Co. and MSDW entered into a LAWC relating various finds that, at various times between

July 1999 and 2005, MS&Co. 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 Municipal Securities Rulemaking Board ("MSRB") rules related to areas including trade reporting through TRACE, short sales, and OATS. The NASD further found that, in certain cases, MS&Co. and MSDW violated NASD Rule 3010 because their supervisory systems did not provide supervision reasonably designed to achieve compliance with securities laws, regulations and/or rules.

Without admitting or denying the findings, MS&Co. and MSDW consented to the LAWC. In the LAWC, MS&Co. 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. MS&Co. 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 ("May 2007 Order") settling an administrative action with MS&Co. In this matter, the SEC found that MS&Co. 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, MS&Co.'s proprietary market-making system failed to provide best execution to certain retail OTC orders. In December 2004, MS&Co. removed the computer code in the proprietary market-making system that caused the best execution violations. MS&Co. 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. MS&Co. 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, MS&Co. entered into a LAWC with the 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. MS&Co. agreed, without admitting or denying these findings, to establish a $9.5 million fund for the benefit of potentially affected arbitration claimants. In addition, MS&Co. 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, MS&Co. 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, MS&Co. 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, MS&Co. 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 MS&Co.'s applicable policies and procedures. MS&Co. consented to the issuance of the October 2007 Order without admitting or denying the SEC's findings.

- On December 18, 2007, MS&Co. 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 (1) failed to reasonably supervise four Financial Advisors, with a view to preventing and detecting their mutual fund market-timing activities and (2) 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, MS&Co. 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, MS&Co. 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. MS&Co. 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. MS&Co. settled the state regulatory issues in a multi-state settlement with the 46 affected state and territorial jurisdictions. Under the settlement, MS&Co. 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 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 ("NASAA")) 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. 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 other NASAA jurisdictions.

- On November 13, 2008, in connection with the settlement of a civil action arising out of an investigation by the SEC into CGM's underwriting, marketing and sale of ARS, CGM, without admitting or denying the allegations of the SEC'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. ("November 2008 Judgment"). Thereafter, on December 11, 2008, the SEC filed its civil action in the federal district court for the Southern District of New York ("Court"). The November 2008 Judgment, which was entered on December 23, 2008 (i) permanently enjoined CGM from directly or indirectly violating section 15(c) of the Exchange Act; (ii) provides that, on later motion of the SEC, the Court is to 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 November 2008 Judgment and that CGM comply with all of the undertakings and agreements in the Consent, which include an offer to buy back at par certain ARS from certain customers. The SEC'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 CGM had represented ARS to be. CGM reached substantially similar settlements with the NYAG and the Texas State Securities Board ("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 (a) made findings that CGM failed to preserve certain recordings of telephone calls involving the ARS trading desk; and (b) required 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 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.

- On March 25, 2009, MS&Co. 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 MS&Co. failed to ensure that the securities and accounts recommended for the retirees were properly reviewed for appropriate risk disclosure, suitability and other concerns. MS&Co. 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.

MSSB's Form ADV Part 1 contains further information about its disciplinary history, and is available on request from your Financial Advisor

Other Financial Industry Activities and Affiliations

Morgan Stanley Parent indirectly owns 51% of MSSB. Morgan Stanley Parent is a financial holding company under the Bank Holding Company Act of 1956. Citi indirectly owns 49% of MSSB. Both Morgan Stanley Parent and Citi are corporations whose shares are publicly held and traded on the New York Stock Exchange.

Activities of Morgan Stanley Parent and Citi. Morgan Stanley Parent and Citi are both global firms engaging, through their various subsidiaries, in a wide range of financial services including:

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

Broker-Dealer and FCM Registrations. As well as being a registered investment advisor, MSSB is registered as a broker-dealer and a futures commission merchant.

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

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

These restrictions may adversely impact client account performance.

Related Investment Advisors and Other Service Providers. MSSB has related persons that are the investment advisers to mutual funds in various investment advisory programs (including Morgan Stanley Investment Management Inc., Morgan Stanley Investment Advisors Inc. and Morgan Stanley Investment Management Limited). If you invest your assets in an affiliated mutual fund, MSSB and its affiliates earn more money than if you invest in an unaffiliated mutual fund. Generally, for ERISA or other retirement accounts, MSSB rebates or offsets fees so that MSSB complies with IRS and Department of Labor rules and regulations.

Morgan Stanley Investment Advisors Inc., its wholly owned subsidiary Morgan Stanley Services Company Inc., and Morgan Stanley Investment Management Inc. serve in various advisory, management, and administrative capacities to open-end and closed-end investment companies and other portfolios (some of which are listed on the NYSE).

Morgan Stanley Distributors Inc. serves as distributor for these open-end investment companies, and has entered into selected dealer agreements with MSSB and affiliates. Morgan Stanley Distributors Inc. also may enter into selected dealer agreements with other dealers. Under these agreements, MSSB and affiliates, and other selected dealers, are compensated for sale of fund shares to clients on a brokerage basis, and for shareholder servicing (including pursuant to plans of distribution adopted by the investment companies pursuant to Rule 12b-l under the Investment Company Act of 1940).

Morgan Stanley Trust FSB, an affiliate of MSSB, serves as transfer agent and dividend disbursing agent for investment companies advised by Morgan Stanley Investment Advisors Inc. and other affiliated investment advisers and may receive annual per shareholder account fees from or with respect to them and certain nonaffiliated investment companies.

Related persons of MSSB act as general partner, administrative agent or managing member in a number of funds in which clients may be solicited in a brokerage or advisory capacity to invest. These include funds focused on private equity investing, investments in leveraged buyouts, venture capital opportunities, research and development ventures, real estate, managed futures, hedge funds, funds of hedge funds and other businesses.

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

Code of Ethics

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

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

- An Employee who wishes to conduct business activity outside of his or her employment with MSSB, regardless of whether that Employee receives compensation for this activity, must first obtain written authorization from his or her supervisor. (Outside activities include serving as an officer or director of a business organization or non-profit entity, and accepting compensation from any person or organization other than MSSB.)
- Employees are generally prohibited from giving or receiving gifts or gratuities greater than $100 per recipient per calendar year to or from persons or organizations with

which MSSB has a current or potential business relationship, clients, or persons connected with another financial institution, a securities or commodities exchange, the media, or a government or quasi-governmental entity.

- Employees cannot enter into a lending arrangement with a client (unless they receive prior written approval from their supervisor and MSSB's Compliance Department).
- MSSB maintains a "Restricted List" of issuers for which it may have material non-public information or other conflicts of interest. Employees cannot, for themselves or their clients, trade in securities of issuers on the "Restricted List" (unless they receive prior written approval from the Compliance department).
- Certain Employees, because of their potential access to non-public information, must obtain their supervisors' prior written approval before executing certain securities transactions for their personal securities accounts. All Employees must also follow special procedures for investing in private securities transactions.

  However, in the programs described in this brochure, Financial Advisors may trade their own (and family) accounts at the same time as they execute client trades if they aggregate these trades with client trades. They may thereby acquire, and compete for, positions or interests in the same securities as their clients which may affect the security's price, which constitutes a conflict of interest. While Financial Advisors are required to execute transactions in a manner that is fair and equitable to their clients over time, client accounts may at times be indirectly negatively impacted when Financial Advisors also trade for their own accounts. We address this conflict by disclosing it to you. Please ask your Financial Advisor if you would like more information on the Financial Advisor's practises in this respect.

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

Reviewing Accounts

In the programs discussed in this brochure, FSTC (the custodian) reviews your accounts and send you account statements. At account opening, MSSB's PIP system confirms that, the account and the investment style are suitable investments for you.

See Item 4.A above for a discussion of account statements and Investment Monitors.

Client Referrals and Other Compensation

See "Funds in Advisory Programs" in Item 4.C above and Item 6.B.

MSSB's Professional Alliance Group program allows certain unaffiliated third parties to refer clients to MSSB. If the client invests in an investment advisory program, MSSB pays the third party an ongoing referral fee (generally about 25% of the portion of the client fee that MSSB would otherwise allocate to the Financial Advisor). MSSB may pay a fee greater or less than 25% depending on the facts and circumstances of the relationship.

Financial Information

MSSB is not required to include a balance sheet in this brochure because MSSB does not require or solicit prepayment of more than $1,200 in fees per client, six months or more in advance.

MSSB does not have any financial conditions that are reasonably likely to impair its ability to meet its contractual commitments to clients.

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

ADDENDUM RELATING TO THE TRAK 401(k) PROGRAM DEPARTMENT OF LABOR PROHIBITED TRANSACTION EXEMPTION

Employee Benefits Security Administration

DEPARTMENT OF LABOR

Employee Benefits Security Administration

Application Nos. and Proposed Exemptions; D-11573, Citigroup Global Markets, Inc. and Its Affiliates (Together, CGMI or the Applicant)

AGENCY: Employee Benefits Security Administration, Labor

ACTION: Notice of proposed exemptions.

SUMMARY: This document contains notices of pendency before the Department of Labor (the Department) of proposed exemptions from certain of the prohibited transaction restrictions of the Employee Retirement Income Security Act of 1974 (ERISA or the Act) and/or the Internal Revenue Code of 1986 (the Code).

Written Comments and Hearing Requests

All interested persons are invited to submit written comments or requests for a hearing on the pending exemptions, unless otherwise stated in the Notice of Proposed Exemption, within 45 days from the date of publication of this Federal Register Notice. Comments and requests for a hearing should state: (1) The name, address, and telephone number of the person making the comment or request, and (2) the nature of the person's interest in the exemption and the manner in which the person would be adversely affected by the exemption. A request for a hearing must also state the issues to be addressed and include a general description of the evidence to be presented at the hearing.

ADDRESSES: All written comments and requests for a hearing (at least three copies) should be sent to the Employee Benefits Security Administration (EBSA), Office of Exemption Determinations, Room N-5700, U.S. Department of Labor, 200 Constitution Avenue, NW., Washington, DC 20210. Attention: Application No. ----, stated in each Notice of Proposed Exemption. Interested persons are also invited to submit comments and/or hearing requests to EBSA via e-mail or FAX. Any such comments or requests should be sent either by e-mail to: moffitt.betty@dol.gov, or by FAX to (202) 219-0204 by the end of the scheduled comment period. The applications for exemption and the comments received will be available for public inspection in the Public Documents Room of the Employee Benefits Security Administration, U.S. Department of Labor, Room N-1513, 200 Constitution Avenue, NW., Washington, DC 20210.
Warning: If you submit written comments or hearing requests, do not include any personally-identifiable or confidential business information that you do not want to be publicly-disclosed. All comments and hearing requests are posted on the Internet exactly as they are received, and they can be retrieved by most Internet search engines.
The Department will make no deletions, modifications or redactions to the comments or hearing requests received, as they are public records.

Notice to Interested Persons

Notice of the proposed exemptions will be provided to all interested persons in the manner agreed upon by the applicant and the Department within 15 days of the date of publication in the Federal Register. Such notice shall include a copy of the notice of proposed exemption as published in the Federal Register and shall inform interested persons of their right to comment and to request a hearing (where appropriate).

SUPPLEMENTARY INFORMATION: The proposed exemptions were requested in applications filed pursuant to section 408(a) of the Act and/or section 4975(c)(2) of the Code, and in accordance with procedures set forth in
29 CFR Part 2570, Subpart B (55 FR 32836, 32847, August 10, 1990). Effective December 31, 1978, section 102 of Reorganization Plan No. 4 of 1978, 5 U.S.C. App. 1 (1996), transferred the authority of the Secretary of the Treasury to issue exemptions of the type requested to the Secretary of Labor. Therefore, these notices of proposed exemption are issued solely by the Department. The

applications contain representations with regard to the proposed exemptions which are summarized below. Interested persons are referred to the applications on file with the Department for a complete statement of the facts and representations.

Citigroup Global Markets, Inc. and Its Affiliates (Together, CGMI or the Applicant) Located in New York, New York

[Application No. D-11573]

Proposed Exemption

The Department is considering granting an exemption under the authority of section 408(a) of the Act (or ERISA) and section 4975(c)(2) of the Code and in accordance with the procedures set forth in 29 CFR Part 2570, Subpart B (55 FR 32836, August 10, 1990).

Section I. Covered Transactions

A. If the exemption is granted, the restrictions of section 406(a) of the Act and the sanctions resulting from the application of section 4975 of the Code, by reason of section 4975(c)(1)(A) through (D) of the Code, shall not apply, effective May 31, 2009, to the purchase or redemption of shares by an employee benefit plan, an individual retirement account (an IRA), a retirement plan for self-employed individuals (a Keogh Plan), or an individual account pension plan that is subject to the provisions of Title I of the Act and established under section 403(b) of the Code (the Section 403(b) Plan) (collectively, the Plans) in the Trust for Consulting Group Capital Markets Funds (the Trust), sponsored by MSSB in connection with such Plans' participation in the TRAK Personalized Investment Advisory Service (the TRAK Program).

B. If the exemption is granted, the restrictions of section 406(b) of the Act and the sanctions resulting from the application of section 4975 of the Code, by reason of section 4975(c)(1)(E) and (F) of the Code, shall not apply, effective May 31, 2009, with respect to the provision of (i) investment advisory services by the Adviser or (ii) an
automatic reallocation option as described below (the Automatic Reallocation Option) to an independent fiduciary of a participating Plan (the Independent Plan Fiduciary), which may result in such fiduciary's selection of a portfolio (the Portfolio)[1] in the TRAK Program for the investment of Plan assets.

This exemption is subject to the following conditions set forth below in Section II.

Section II. General Conditions

(a) The participation of Plans in the TRAK Program is
(b) approved by an Independent Plan Fiduciary. For purposes of this requirement, an employee, officer or director of the Adviser and/or its affiliates covered by an IRA not subject to Title I of the Act will be considered an Independent Plan Fiduciary with respect to such IRA.
(c) The total fees paid to the Adviser and its affiliates will constitute no more than reasonable compensation.
(d) No Plan pays a fee or commission by reason of the acquisition or redemption of shares in the Trust.
(e) The terms of each purchase or redemption of Trust shares remain at least as favorable to an investing Plan as those obtainable in an arm's length transaction with an unrelated party.
(f) The Adviser provides written documentation to an Independent Plan Fiduciary of its recommendations or evaluations based upon objective criteria.
(g) Any recommendation or evaluation made by the Adviser to an Independent Plan Fiduciary is implemented only at the express direction of such Independent Plan Fiduciary, provided, however, that:
(1) If such Independent Plan Fiduciary elects in writing (the Election), on a form designated by the Adviser from time to time for such purpose, to participate in the Automatic Reallocation Option under the TRAK Program, the affected Plan or participant account is automatically reallocated whenever the Adviser modifies the particular asset allocation recommendation which the Independent Plan Fiduciary has chosen. Such Election continues in effect until revoked or terminated by the Independent Plan Fiduciary in writing.
(2) Except as set forth below in paragraph II(f)(3), at the time of a change in the Adviser's asset allocation recommendation, each account based upon the asset allocation model (the Allocation Model) affected by such change is adjusted on the business day of the release of the new Allocation Model by the Adviser, except to the extent that market conditions, and order purchase and redemption procedures, may delay such processing through a series of purchase and redemption transactions to shift assets among the affected Portfolios.
(3) If the change in the Adviser's asset allocation recommendation exceeds an increase or decrease of more than 10 percent in the absolute percentage allocated to any one investment medium (e.g., a suggested increase in a 15 percent allocation to greater than 25 percent, or a decrease of such 15 percent allocation to less than 5 percent), the

[1] For the avoidance of doubt, unless the context suggests otherwise, the term ``Portfolio'' includes the Stable Value Investments Fund, a collective trust fund established and maintained by First State Trust Company, formerly a wholly-owned subsidiary of Citigroup.

Adviser sends out a written notice (the Notice) to all Independent Plan Fiduciaries whose current investment allocation may be affected, describing the proposed reallocation and the date on which such allocation is to be instituted (the Effective Date). If the Independent Plan Fiduciary notifies the Adviser, in writing, at any time within the period of 30 calendar days prior to the proposed Effective Date that such fiduciary does not wish to follow such revised asset allocation recommendation, the Allocation Model remains at the current level, or at such other level as the Independent Plan Fiduciary then expressly designated, in writing. If the Independent Plan Fiduciary does not affirmatively `opt out' of the new Adviser recommendation, in writing, prior to the proposed Effective Date, such new recommendation is automatically effected by a dollar-for-dollar liquidation and purchase of the required amounts in the respective account.

(4) An Independent Plan Fiduciary will receive a trade confirmation of each reallocation transaction. In this regard, for all Plan investors other than Section 404(c) Plan accounts (i.e., 401(k) Plan accounts), CGMI or MSSB, as applicable, mails trade confirmations on the next business day after the reallocation trades are executed. In the case of Section 404(c) Plan participants, notification depends upon the notification provisions agreed to by the Plan recordkeeper.

(h) The Adviser generally gives investment advice in writing to an Independent Plan Fiduciary with respect to all available Portfolios. However, in the case of a Plan providing for participant-directed investments (the Section 404(c) Plan), the Adviser provides investment advice that is limited to the Portfolios made available under the Plan.

(i) Any sub-adviser (the Sub-Adviser) that acts for the Trust to exercise investment discretion over a Portfolio is independent of Morgan Stanley, Inc. (Morgan Stanley), CGMI, MSSB and their respective affiliates (collectively, the Affiliated Entities).

(j) Immediately following the acquisition by a Portfolio of any securities that are issued by any Affiliated Entity, such as Citigroup or Morgan Stanley common stock (the Adviser Common Stock), the percentage of that Portfolio's net assets invested in such securities will not exceed one percent. However, this percentage limitation may be
exceeded if--

(1) The amount held by a Sub-Adviser in managing a Portfolio is held in order to replicate an established third-party index (the Index).

(2) The Index represents the investment performance of a specific segment of the public market for equity securities in the United States and/or foreign countries. The organization creating the Index is:

(i) Engaged in the business of providing financial information;

(ii) A publisher of financial news information; or

(iii) A public stock exchange or association of securities dealers. The Index is created and maintained by an organization independent of the Affiliated Entities and is a generally-accepted standardized Index of securities which is not specifically tailored for use by the Affiliated Entities.

(3) The acquisition or disposition of Adviser Common Stock does not include any agreement, arrangement or understanding regarding the design or operation of the Portfolio acquiring such Adviser Common Stock, which is intended to benefit the Affiliated Entities or any party in which any of the Affiliated Entities may have an interest.

(4) The Independent Plan Fiduciary authorizes the investment of a Plan's assets in an Index Fund which purchases and/or holds the Adviser Common Stock and the Sub-Adviser is responsible for voting any shares of Adviser Common Stock that are held by an Index Fund on any matter in which shareholders of Adviser Common Stock are required or permitted to vote.

(k) The quarterly investment advisory fee that is paid by a Plan to the Adviser for investment advisory services rendered to such Plan is offset by any amount in excess of 20 basis points that MSSB retains from any Portfolio (with the exception of the Money Market Investments Portfolio and the Stable Value Investments Portfolio for which neither MSSB nor the Trust will retain any investment management fee) which contains investments attributable to the Plan investor.

(l) With respect to its participation in the TRAK Program prior to purchasing Trust shares,

(1) Each Plan receives the following written or oral disclosures from the Adviser:

(A) A copy of the Prospectus for the Trust discussing the investment objectives of the Portfolios comprising the Trust, the policies employed to achieve these objectives, the corporate affiliation existing among the Adviser and its affiliates, and the compensation paid to such entities.[2]

(B) Upon written or oral request to the Adviser, a Statement of Additional Information supplementing the Prospectus which describes the types of securities and other instruments in which the Portfolios may invest, the investment policies and strategies that the Portfolios may utilize and certain risks attendant to those investments, policies and strategies.

(C) A copy of the investment advisory agreement between the Adviser and such Plan which relates to participation in the TRAK Program and describes the Automatic Reallocation Option.

(D) Upon written request of the Adviser, a copy of the respective investment advisory agreement between MSSB and the Sub-Advisers.

(E) In the case of a Section 404(c) Plan, if required by the arrangement negotiated between the Adviser and the Plan, an explanation by an Adviser representative (the Financial Advisor) to eligible participants in such Plan, of the services offered under the TRAK Program and the operation and objectives of the Portfolios.

(F) A copy of the proposed exemption and the final exemption pertaining to the exemptive relief described herein.

[2] The fact that certain transactions and fee arrangements are the subject of an administrative exemption does not relieve the Independent Plan Fiduciary from the general fiduciary responsibility provisions of section 404 of the Act. In this regard, the Department expects the Independent Plan Fiduciary to consider carefully the totality of the fees and expenses to be paid by the Plan, including any fees paid directly to MSSB, CGMI or to other third parties.

(2) If accepted as an investor in the TRAK Program, an Independent Plan Fiduciary of an IRA or Keogh Plan is required to acknowledge, in writing, prior to purchasing Trust shares that such fiduciary has received copies of the documents described above in subparagraph (k)(1) of this section.
(3) With respect to a Section 404(c) Plan, written acknowledgement of the receipt of such documents is provided by the Independent Plan Fiduciary (i.e., the Plan administrator, trustee or named fiduciary, as the recordholder of Trust shares). Such Independent Plan Fiduciary is required to represent in writing to the Adviser that such fiduciary is
(a) independent of the Affiliated Entities and (b) knowledgeable with respect to the Plan in administrative matters and funding matters related thereto, and able to make an informed decision concerning participation in the TRAK Program.
(4) With respect to a Plan that is covered under Title I of the Act, where investment decisions are made by a trustee, investment manager or a named fiduciary, such Independent Plan Fiduciary is required to acknowledge, in writing, receipt of such documents and represent to the Adviser that such fiduciary is (a) independent of the Affiliated Entities, (b) capable of making an independent decision regarding the investment of Plan assets and (c) knowledgeable with respect to the Plan in administrative matters and funding matters related thereto, and able to make an informed decision concerning participation in the TRAK Program.
(m) Subsequent to its participation in the TRAK Program, each Plan receives the following written or oral disclosures with respect to its ongoing participation in the TRAK Program:
(1) The Trust's semi-annual and annual report including a financial statement for the Trust and investment management fees paid by each Portfolio.
(2) A written quarterly monitoring statement containing an analysis and an evaluation of a Plan investor's account to ascertain whether the Plan's investment objectives have been met and recommending, if required, changes in Portfolio allocations.
(3) If required by the arrangement negotiated between the Adviser and a Section 404(c) Plan, a quarterly, detailed investment performance monitoring report, in writing, provided to an Independent Plan Fiduciary of such Plan showing Plan level asset allocations, Plan cash flow analysis and annualized risk adjusted rates of return for Plan
investments. In addition, if required by such arrangement, Financial Advisors meet periodically with Independent Plan Fiduciaries of Section 404(c) Plans to discuss the report as well as with eligible participants to review their accounts' performance.
(4) If required by the arrangement negotiated between the Adviser and a Section 404(c) Plan, a quarterly participant performance monitoring report provided to a Plan participant which accompanies the participant's benefit statement and describes the investment performance of the Portfolios, the investment performance of the participant's individual investment in the TRAK Program, and gives market commentary and toll-free numbers that enable the participant to obtain more information about the TRAK Program or to amend his or her investment allocations.
(5) On a quarterly and annual basis, written disclosures to all Plans of (a) the percentage of each Portfolio's brokerage commissions that are paid to the Affiliated Entities and (b) the average brokerage commission per share paid by each Portfolio to the Affiliated Entities, as compared to the average brokerage commission per share paid by the Trust to brokers other than the Affiliated Entities, both expressed as cents per share.
(n) The Adviser maintains or causes to be maintained, for a period of (6) six years, the records necessary to enable the persons described in paragraph (m)(1) of this section to determine whether the applicable conditions of this exemption have been met. Such records are readily available to assure accessibility by the persons identified in
paragraph (1) of this section.
(1) Notwithstanding any provisions of section 504(a)(2) and (b) of the Act, the records referred to in the first paragraph of this section are unconditionally available at their customary location for examination during normal business hours by--
(i) Any duly authorized employee or representative of the Department or the Internal Revenue Service;
(ii) Any fiduciary of a participating Plan or any duly authorized representative of such fiduciary;
(iii) Any contributing employer to any participating Plan or any duly authorized employee representative of such employer; and
(iv) Any participant or beneficiary of any participating Plan, or any duly authorized representative of such participant or beneficiary.
(2) A prohibited transaction is not deemed to have occurred if, due to circumstances beyond the control of the Adviser, the records are lost or destroyed prior to the end of the six-year period, and no party in interest other than the Adviser is subject to the civil penalty that may be assessed under section 502(i) of the Act or to the taxes imposed by sections 4975(a) and (b) of the Code if the records are not maintained or are not available for examination as required by paragraph (1) of this section.
(3) None of the persons described in subparagraphs (ii)-(iv) of this section (m)(1) is authorized to examine the trade secrets of the Adviser or commercial or financial information which is privileged or confidential.
(4) Should the Adviser refuse to disclose information on the basis that such information is exempt from disclosure, the Adviser shall, by the close of the thirtieth (30th) day following the request, provide written notice advising that person of the reason for the refusal and that the Department may request such information.

Section III. Definitions

For purposes of this proposed exemption:
(a) The term ``Adviser'' means CGMI or MSSB as investment adviser to Plans.
(b) The term ``Affiliated Entities'' means Morgan Stanley, CGMI, MSSB and their respective affiliates.
(c) The term ``CGMI'' means Citigroup Global Markets Inc. and any affiliate of Citigroup Global Markets Inc.
(d) An ``affiliate'' of any of the Affiliated Entities includes:
(1) Any person directly or indirectly through one or more intermediaries, controlling, controlled by, or under common control with the Affiliated Entity. (For purposes of this subparagraph, the term ``control'' means the power to exercise a controlling influence over the management or policies of a person other than an individual);

(2) Any individual who is an officer (as defined in Section III(g) hereof), director or partner in the Affiliated Entity or a person described in subparagraph (d)(1);
(3) Any corporation or partnership of which the Affiliated Entity, or an affiliate described in subparagraph (d)(1), is a 10 percent or more partner or owner; and
(4) Any corporation or partnership of which any individual which is an officer or director of the Affiliated Entity is a 10 percent or more partner or owner.
(e) An ``Independent Plan Fiduciary'' is a Plan fiduciary which is independent of the Affiliated Entities and is either:
(1) A Plan administrator, sponsor, trustee or named fiduciary, as the recordholder of Trust shares under a Section 404(c) Plan;
(2) A participant in a Keogh Plan;
(3) An individual covered under (i) a self-directed IRA or (ii) a Section 403(b) Plan, which invests in Trust shares;
(4) A trustee, investment manager or named fiduciary responsible for investment decisions in the case of a Title I Plan that does not permit individual direction as contemplated by Section 404(c) of the Act; or
(5) A participant in a Plan, such as a Section 404(c) Plan, who is permitted under the terms of such Plan to direct, and who elects to direct, the investment of assets of his or her account in such Plan.
(f) The term ``MSSB'' means Morgan Stanley Smith Barney Holdings LLC, together with its subsidiaries.
(g) The term ``officer'' means a president, any vice president in charge of a principal business unit, division or function (such as sales, administration or finance), or any other officer who performs a policymaking function for the entity.

Section IV. Effective Date
If granted, this proposed exemption will be effective as of May 31, 2009 with respect to the Covered Transactions, the General Conditions and the Definitions that are described in Sections I, II and III.

Summary of Facts and Representations

1. If granted, the proposed individual exemption described herein would replace Prohibited Transaction Exemption (PTE) 2009-12 (74 FR 13231, March 26, 2009), an exemption previously granted to CGMI. PTE 2009-12 relates to the operation of the TRAK Personalized Investment Advisory Service (the TRAK Program) and the Trust for Consulting Group Capital Markets Funds (the Trust). PTE 2009-12 provides exemptive relief from section 406(a) of the Act and section 4975(c)(1)(A) through (D) of the Code, for the purchase or redemption of shares by various types of Plans, such as ERISA Title I Plans, IRAs, Keogh Plans, and Section 403(b) Plans, whose assets are invested in the Trust that was previously established by Citigroup in connection with such Plans' participation in the TRAK Program. PTE 2009-12 also provides exemptive relief from section 406(b) of the Act and section 4975(c)(1)(E) and (F) of the Code, with respect to the provision, by Citigroup's Consulting Group, of (i) investment advisory services or (ii) an Automatic Reallocation Option to an independent fiduciary of a participating Plan (i.e., the Independent
Plan Fiduciary), which may result in such fiduciary's selection of a Portfolio[3] in the TRAK Program for the investment of Plan assets.

2. The Department originally granted to Shearson Lehman Brothers, Inc. PTE 92-77, which relates to a less evolved form of the TRAK Program.[4] PTE 92-77 was superseded by PTE 94-50, which allowed Smith, Barney Inc. (Smith Barney), the predecessor to Salomon Smith Barney Inc. (Salomon Smith Barney), to add a daily-traded collective
investment fund (the GIC Fund) to the existing fund Portfolios, describe the various entities operating the GIC Fund, and replace references to Shearson Lehman with Smith Barney.[5] PTE 99-15, which superseded PTE 94-50, allowed Salomon Smith Barney to create a broader distribution of TRAK-related products, implement a record-keeping reimbursement offset procedure under the TRAK Program, adopt the Automated Reallocation Option under the TRAK Program that would reduce the asset allocation fee paid to Salomon Smith Barney by a Plan investor, and expand the scope of the exemption to include Section 403(b) Plans.[6]

3. Thereafter, PTE 99-15 was replaced by PTE 2000-45, which primarily modified the definition of an ``affiliate'' of Salomon Smith Barney so that it only covered persons or entities that had a significant role in the decisions made by, or which were managed or influenced by, Salomon Smith Barney, or included any corporation or partnership of which Salomon Smith Barney or an affiliate was a 10 percent or more partner or owner.[7]

4. Finally, on March 26, 2009, the Department granted PTE 2009-12. As the result of a merger transaction (the Merger Transaction) between Citigroup and Legg Mason, Inc. (Legg Mason), on December 1, 2005, an affiliate of Citigroup acquired an approximately 14% equity ownership interest in Legg Mason common and preferred stock. This meant that two investment adviser subsidiaries of

[3] For the avoidance of doubt, unless the context suggests otherwise, the term ``Portfolio'' includes the Stable Value Investments Fund, a collective trust fund established and maintained by First State Trust Company (First State), formerly a wholly-owned subsidiary of Citigroup.
[4] 57 FR 45833 (October 5, 1992)

[5] 59 FR 32024 (June 21, 1994).

[6] 64 FR 1648 (April 5, 1999).

[7] 65 FR 54315 (September 7, 2000).

Legg Mason (Brandywine Asset Management LLC and Western Asset Management Company), which were sub-advisers (the Sub-Advisers) to three Trust Portfolios under the TRAK Program, were no longer considered ``independent'' of Citigroup and its affiliates in violation of Section II(h) of the General Conditions.[8] Also, the Sub-Advisers were considered ``affiliates'' of Citigroup under Section III(b)(3) of the General Definitions of PTE 2000-45 inasmuch as Citigroup became a 10% or more indirect owner of each Sub-Adviser following the Merger Transaction.

5. Although Citigroup reduced its ownership interest in Legg Mason to under the 10% ownership threshold on March 10, 2006, the Department decided that PTE 2000-45 was no longer effective for the transactions described therein, because Section II(h) of the General Conditions and Section III(b) of the Definitions were not met. Therefore, the Department granted PTE 2009-12, a new exemption, which replaced PTE 2000-45. Unless otherwise noted, PTE 2009-12 incorporates by reference the facts, representations, operative language and definitions of PTE
2000-45. In addition, PTE 2009-12 updates the operative language of PTE 2000-45. Further, PTE 2009-12 provides a temporary and limited exception to the definition of the term ``affiliate,'' so that during the three month period of time within which Citigroup held a 10% or greater economic ownership interest in Legg Mason, the Sub-Advisers
would continue to be considered ``independent'' of CGMI and its affiliates for purposes of Section II(h) and not ``affiliated'' with CGMI and its affiliates for purposes of Section III(b) of the exemption. Finally, PTE 2009-12 provides exemptive relief for a new method to compute fee offsets that are required under the exemption to
mitigate past anomalies. PTE 2009-12 is effective from December 1, 2005 until March 10, 2006, with respect to the limited exception. It is also effective as of December 1, 2005 with respect to the transactions covered by the exemption, the General Conditions, and the Definitions. Further, PTE 2009-12 is effective as of January 1, 2008, with respect to the new fee offset procedure.

Replacement of PTE 2009-12

6. CGMI and its predecessors and current and future affiliates and Morgan Stanley Smith Barney LLC and its current and future affiliates (collectively, the Applicants) have requested a new exemption that would replace PTE 2009-12 to reflect the terms of a joint venture transaction (the Joint Venture Transaction) between Citigroup and
Morgan Stanley, Inc. (Morgan Stanley) that occurred on May 31, 2009. As a result of the Joint Venture Transaction, which is described in detail below, the Applicants state that the exemptive relief provided under PTE 2009-12 is no longer effective due to a change in the parties and the ownership structure of the TRAK Program. Therefore, the Applicants request a new exemption that would replace PTE 2009-12. If granted, the new exemption would be made retroactive to May 31, 2009 and it would provide the same relief with respect to the transactions covered under PTE 2009-12. In addition, the General Conditions and Definitions of the new exemption would be similar to those as set forth in PTE 2009-12.

The Joint Venture Transaction

7. The Applicants represent that on January 13, 2009, Citigroup and Morgan Stanley entered into a ``Joint Venture Contribution and Formation Agreement'' (the Joint Venture Agreement), which established the terms of a new joint venture (the Joint Venture) between Citigroup and Morgan Stanley. Citigroup and Morgan Stanley are global financial services providers, each headquartered in New York, New York. As of the end of 2008, Citigroup reported total client assets under management as approximately $1.3 trillion. Citigroup's current employee workforce consists of approximately 300,000 individuals in approximately 16,000 offices in 140 countries around the world. As of the end of 2008, Morgan Stanley reported total client assets under management as approximately $546 billion. Its current employee workforce of approximately 60,000 serves a diversified group of corporations, governments, financial institutions, and individuals, and operates from over 1,200 offices in over 36 countries around the world.

8. Under the Joint Venture Agreement, each of Citigroup and Morgan Stanley (including their respective subsidiaries) agreed to contribute specified businesses into the Joint Venture, together with all contracts, employees, property licenses and other assets (as well as liabilities) used primarily in the contributed businesses. Generally,
in the case of Citigroup, the contributed businesses included Citigroup's retail brokerage and futures business operated under the name ``Smith Barney'' in the United States and Australia and operated under the name ``Quilter'' in the United Kingdom, Ireland and Channel Islands. Certain investment advisory and other businesses of Citigroup
were also contributed, including Citigroup's Consulting Group and the sponsorship of the TRAK Program. In the case of Morgan Stanley, the contributed businesses consisted generally of Morgan Stanley's global wealth management (retail brokerage) and private wealth management businesses. According to the Applicants, no valuations for the contributed businesses were agreed upon between the parties. It was agreed, however, that the value of the Smith Barney business plus $2.75 billion would equal an ownership percentage of 49% of the Joint Venture entity, Morgan Stanley Smith Barney Holdings LLC (Holdings), a Delaware limited liability company (together with its subsidiaries, MSSB). The closing date of the Joint Venture Transaction occurred on May 31, 2009
(the Closing). Prior to the Closing, Morgan Stanley had formed Holdings, the sole member of Morgan Stanley Smith Barney LLC, which conducts most of the Joint Venture's domestic operations as a dual-registered broker-dealer
and investment adviser. Holdings presently generates about $14 billion in net revenues. It has 18,500 financial advisers, 1,000 locations worldwide and services about 6.8 million households. Immediately following the Closing, Morgan Stanley owned indirectly through subsidiaries 51% of Holdings, and Citigroup owned 49% of Holdings, through CGMI. Morgan Stanley has call rights to

[8] In PTE 2000-45, Section II(h) of the General Conditions provided that ``Any sub-adviser (the Sub-Adviser) that acts for the Trust to exercise investment discretion over a Portfolio will be independent of Salomon Smith Barney and its affiliates.''

purchase from Citigroup (a) an additional 14% of Holdings after the third anniversary of Closing, (b) an additional 15% of Holdings after the fourth anniversary and (c) the balance of Citigroup's interest in Holdings after the fifth anniversary.[9]

9. The Joint Venture Agreement was amended and restated on May 29, 2009 (the Amended Contribution Agreement). Under the Amended Contribution Agreement, Citigroup transferred its managed futures business and its proprietary investments to MSSB on July 31, 2009, in exchange for a cash payment of $299.778 million paid by Morgan Stanley, and Morgan Stanley purchased additional interests in MSSB worth approximately $2.7 billion on August 1, 2009, in order to maintain its total percentage of ownership interests in MSSB at 51%. The Amended
Contribution Agreement also provided for an ``introducing broker'' structure for a period of time after the Closing. Under the ``introducing broker'' structure, clients of Morgan Stanley's legacy businesses continue to have their brokerage transactions cleared through, and their accounts custodied and carried by, Morgan Stanley.[10] Similarly, customers of the Citigroup legacy businesses continue to have their brokerage transactions cleared through, and have their accounts custodied and carried by, CGMI.[11] Over time, it is expected that the contributed businesses and operations of Morgan Stanley and Citigroup will be integrated into one operation and that ultimately, MSSB will become a fully self-clearing and self-custody service firm and will carry its own customer accounts.

Current Status of Operations
10. Since the Closing, MSSB's advisory services are being provided through two distribution channels. One distribution channel generally sponsors the advisory programs, including the TRAK Program, previously sponsored by Smith Barney and/or CGMI (the SB Channel). Therefore, since the Closing, the TRAK Program has continued to be made available to customers of the SB Channel. The other distribution channel generally sponsors the advisory programs previously sponsored by Morgan Stanley's Global Wealth Management Group (the MS Channel). As stated previously, the parties' ultimate goal is for the businesses, operations and systems of the MS Channel and the SB Channel to be integrated. However, decisions as to which programs will be offered to whom or which programs will survive over the long-term have not been made.

11. Also, since the Closing, CGMI has continued to offer the TRAK Program to its retained clients. As of August 31, 2009, the TRAK Program had assets in excess of $6.13 billion, over $3.74 billion of which is held in Plan accounts. At present, the investments under the TRAK Program encompass the Trust, which consists of eleven Portfolios, as well as the Stable Value Investments Fund, a collective trust fund established and maintained by First State. The Trust and the Stable Value Investment Fund are advised by one or more unaffiliated Sub-Advisers selected by MSSB and First State, respectively. In addition to the TRAK Program, CGMI offers other investment advisory programs to its retained clients under an advisory services agreement between Citigroup and Holdings dated as of the Closing. Under the agreement, Holdings provides a wide range of investment advisory services to Citigroup advisory programs pursuant to a delegation by Citigroup to Holdings of certain of Citigroup's obligations to provide such services. Citigroup retained clients were provided notice of this arrangement.

Descriptions of Revisions to the Operative Language of PTE 2009-12
12. The proposed exemption generally modifies the operative language of PTE 2009-12 to take into account the new ownership structure of the TRAK Program formed as a result of the Joint Venture Transaction. Section I of PTE 2009-12 has been modified to conform the effective date of the proposal with the closing of the Joint Venture
Transaction, May 31, 2009. In addition, the operative language in Section I(A) and I(B) has been revised to provide that, as a result of the Joint Venture, MSSB rather than Citigroup is now the sponsor of the Trust in connection with Plans' investment in the TRAK Program, and that investment advisory services may be provided by MSSB in addition to CGMI, respectively.

13. Section II of PTE 2009-12, General Conditions, has been modified throughout by replacing the terms ``CGMI,'' ``Consulting Group,'' or ``Citigroup,'' with the term ``Adviser,'' which has been added as a new defined term in Section III to mean ``CGMI or MSSB as investment adviser to Plans.'' The changes were made to these terms in
order to reflect the addition of MSSB as a sponsor of the TRAK Program resulting from the Joint Venture Transaction. In addition, in Section II(h), the term ``Affiliated Entities,'' which has been added as a new defined term in Section III to mean ``Morgan Stanley, CGMI, MSSB, and their respective affiliates,'' has been added to take into account the addition of MSSB as a sponsor of the TRAK Program.

14. Section II(j) of PTE 2009-12 has been modified to reflect the fact that CGMI has been removed from the reallocation formula because it no longer manages and supervises the Trust and the Portfolios. Prior to the Closing, Citigroup Investment Advisory Services LLC (CIAS), an affiliate of CGMI, managed and supervised the Trust and Portfolios. In connection with the Joint Venture Transactions, CIAS was contributed to MSSB and as an affiliate of MSSB, it manages and supervises the Trust and the Portfolios.

[9] The Applicants believe that Citgroup's ownership interest in MSSB will reach a point where it will no longer have an interest in MSSB or the Trust that could affect its best judgment as a fiduciary. The Applicants explain that at such point in time, it will no longer be necessary for Citigroup to rely on this exemption for the TRAK Program. The Department expresses no opinion on when it will no longer be necessary for Citigroup to rely on this exemption, given that this will be a facts and circumstances determination.

[10] Morgan Stanley continues to provide an array of services for these accounts which include clearing and settling securities transactions, providing trade confirmations and customer statements and performing certain cashiering functions, custody services and other related services.

[11] CGMI clears and settles securities transactions, provides trade confirmations and customer statements and performs certain cashiering functions, custody services and other related services for these accounts.

Thus, the modifications to the language in Section II(j) seek to clarify the parties to the covered transactions, but do not change the formula for the calculation of the quarterly investment advisory fee that is paid by the Plan to the Adviser. Furthermore, Section II(j) has been amended to correct the names of the Portfolios that are excluded from the calculation of the quarterly investment advisory fee, namely by substituting the term ``Money Markets Investment Portfolio'' for ``Government Money Investments Portfolio,'' and the term ``Stable Value Investments Portfolio'' for ``GIC Fund.''

15. Section III of PTE 2009-12, which sets forth the Definitions, has been modified by: (i) Adding Section III(a), Adviser, to mean ``CGMI or MSSB as investment adviser to Plans'' to reflect the new sponsorship of the TRAK Program by MSSB, in addition to the previous sponsorship by CGMI; (ii) adding Section III(b), Affiliated Entities,
to mean ``Morgan Stanley, CGMI, MSSB and their respective affiliates'' to reflect the addition of MSSB as a sponsor of the TRAK Program resulting from the Joint Venture Transaction; (iii) substituting the term ``Affiliated Entities'' for ``CGMI'' throughout Section III(d) in order to broaden the scope of the term ``affiliate'' to capture the
current affiliates of the Applicants; (iv) amending the sectional references in Sections III(d)(2) and (3) to conform to the corresponding modifications to Section III; (v) amending the definition of ``Independent Plan Fiduciary'' in Section III(e) so that the Independent Plan Fiduciary is independent of MSSB in addition to CGMI and their respective affiliates, thereby preserving the purpose of the provisions in PTE 2009-12 that provide that only a party independent of the Applicants is exercising discretion with respect to, among other things, Plans' decisions to invest in the TRAK Program; and (vi) adding a new definition of ``MSSB'' in Section III(f) to mean ``Morgan Stanley
Smith Barney Holdings LLC, together with its affiliates.''

16. Section IV of PTE 2009-12, pertaining to exemptive relief for the temporary and limited exception to the definition of the term ``affiliate,'' has been stricken since it is no longer applicable. Previously, Section IV provided that, during the three month period of time within which Citigroup held a 10% or greater economic ownership
interest in Legg Mason, the Sub-Advisers would continue to be considered ``independent'' of CGMI and its affiliates for purposes of Section II(h) and not ``affiliated'' with CGMI and its affiliates for purposes of Section III(b) of the exemption. Because the time period has expired, Section IV is no longer relevant to the exemption.
Finally, the Effective Date in new Section IV is modified to provide that the exemption, if granted, will be effective as of May 31, 2009, which is the closing date of the Joint Venture Transaction.

Summary
17. In summary, the Applicant represents that the transactions described herein have satisfied or will satisfy the statutory criteria for an exemption set forth in section 408(a) of the Act because:
(a) The participation of Plans in the TRAK Program has been approved or will be approved by an Independent Plan Fiduciary;
(b) The total fees paid to the Adviser and its affiliates has constituted or will constitute no more than reasonable compensation;
(c) No Plan has paid or will pay a fee or commission by reason of the acquisition or redemption of shares in the Trust;
(d) The terms of each purchase or redemption of Trust shares have remained or will remain at least as favorable to an investing Plan as those obtainable in an arm's length transaction with an unrelated party;
(e) The Adviser has provided or will provide written documentation to an Independent Plan Fiduciary of its recommendations or evaluations based upon objective criteria, and such recommendation or evaluation has been implemented or will be implemented only at the express direction of such Independent Plan Fiduciary.
(f) The Adviser has given or will give investment advice in writing to an Independent Plan Fiduciary with respect to all available Portfolios (with respect to participant directed plans, such advice is limited to the Portfolios made available under the Plan);
(g) Any Sub-Adviser that acts for the Trust to exercise investment discretion over a Portfolio has been independent or will be independent of Morgan Stanley, CGMI, MSSB and their respective affiliates;
(h) Immediately following the acquisition by a Portfolio of Adviser Common Stock, the percentage of that Portfolio's net assets invested in such securities generally has not exceeded or will not exceed one
percent;
(i) The quarterly investment advisory fee that is paid by a Plan to the Adviser for investment advisory services rendered to such Plan has been offset or will be offset by any amount in excess of 20 basis points that MSSB retains from any Portfolio (with the exception of the Money Market Investments Portfolio and the Stable Value Investments
Portfolio for which neither MSSB nor the Trust will retain any investment management fee) which contains investments attributable to the Plan investor;
(j) With respect to its participation in the TRAK Program, prior to purchasing Trust shares, each Plan has received or will receive written or oral disclosures and offering materials from the Adviser which generally disclose all material facts concerning the purpose, structure, operation, and investment in the TRAK Program, and describe
the Adviser's recommendations or evaluations, including the reasons and objective criteria forming the basis for such recommendations or evaluations;
(k) Subsequent to its participation in the TRAK Program, each Plan has received or will receive periodic written disclosures from the Adviser with respect to the financial condition of the TRAK Program, the total fees that it and its affiliates will receive from such Plans and the value of the Plan's interest in the TRAK Program, and on a quarterly and annual basis, written disclosures to all Plans of (a) the percentage of each Portfolio's brokerage commissions that are paid to the Affiliated Entities and (b) the average brokerage

commission per share paid by each Portfolio to the Affiliated Entities, as compared to the average brokerage commission per share paid by the Trust to brokers other than the Affiliated Entities, both expressed as cents per share;
and
(l) The Adviser has complied with, and will continue to comply with, the recordkeeping requirements provided in Section II(m) of the proposed exemption, for so long as such records are required to be maintained.

Notice to Interested Persons

Notice of the proposed exemption will be mailed by first class mail to the Independent Plan Fiduciary of each Plan currently participating in the TRAK Program, or, in the case of a Plan covered by Section 404(c) of the Act, to the recordholder of the Trust shares. Such notice will be given within 45 days of the publication of the notice of
pendency in the Federal Register. The notice will contain a copy of the notice of proposed exemption, as published in the Federal Register, and a supplemental statement, as required pursuant to 29 CFR 2570.43(b)(2). The supplemental statement will inform interested persons of their right to comment on and/or to request a hearing with respect to the pending exemption. Written comments and hearing requests are due within 75 days of the publication of the proposed exemption in the Federal Register.

FOR FURTHER INFORMATION CONTACT: Warren Blinder of the Department, telephone (202) 693-8553. (This is not a toll-free number.)

General Information

The attention of interested persons is directed to the following:

(1) The fact that a transaction is the subject of an exemption under section 408(a) of the Act and/or section 4975(c)(2) of the Code does not relieve a fiduciary or other party in interest or disqualified person from certain other provisions of the Act and/or the Code, including any prohibited transaction provisions to which the exemption does not apply and the general fiduciary responsibility provisions of section 404 of the Act, which, among other things, require a fiduciary to discharge his duties respecting the plan solely in the interest of the participants and beneficiaries of the plan and in a prudent fashion in accordance with section 404(a)(1)(b) of the Act; nor does it affect the requirement of section 401(a) of the Code that the plan must operate for the exclusive benefit of the employees of the employer maintaining the plan and their beneficiaries;

(2) Before an exemption may be granted under section 408(a) of the Act and/or section 4975(c)(2) of the Code, the Department must find that the exemption is administratively feasible, in the interests of the plan and of its participants and beneficiaries, and protective of the rights of participants and beneficiaries of the plan;

(3) The proposed exemptions, if granted, will be supplemental to, and not in derogation of, any other provisions of the Act and/or the Code, including statutory or administrative exemptions and transitional rules. Furthermore, the fact that a transaction is subject to an administrative or statutory exemption is not dispositive of whether the
transaction is in fact a prohibited transaction; and

(4) The proposed exemptions, if granted, will be subject to the express condition that the material facts and representations contained in each application are true and complete, and that each application accurately describes all material terms of the transaction which is the subject of the exemption.

Signed at Washington, DC, this 7th day of June, 2010.
Ivan Strasfeld,
Director of Exemption Determinations, Employee Benefits Security
Administration, U.S. Department of Labor.
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DEPARTMENT OF LABOR

Employee Benefits Security Administration

Prohibited Transaction Exemptions From Certain Prohibited Transaction Restrictions

AGENCY: Employee Benefits Security Administration, Labor.

ACTION: Grant of Individual Exemptions.

SUMMARY: This document contains exemptions issued by the Department of Labor (the Department) from certain of the prohibited transaction restrictions of the Employee Retirement Income Security Act of 1974 (ERISA or the Act) and/or the Internal Revenue Code of 1986 (the Code). This notice includes the following: Citigroup Global Markets, Inc. and Its Affiliates (together, CGMI or the Applicant)

SUPPLEMENTARY INFORMATION: A notice was published in the Federal Register of the pendency before the Department of a proposal to grant such exemption. The notice set forth a summary of facts and representations contained in the application for exemption and referred interested persons to the application for a complete statement of the facts and representations. The application has been available for public inspection at the Department in Washington, DC. The notice also invited interested persons to submit comments on the requested exemption to the Department. In addition, the notice stated that any interested person might submit a written request that a public hearing be held (where appropriate). The applicant has represented that it has complied with the requirements of the notification to interested persons. No requests for a hearing were received by the Department. Public comments were received by the Department as described in the granted exemption.

The notice of proposed exemption was issued and the exemption is being granted solely by the Department because, effective December 31, 1978, section 102 of Reorganization Plan No. 4 of 1978, 5 U.S.C. App. 1
(1996), transferred the authority of the Secretary of the Treasury to issue exemptions of the type proposed to the Secretary of Labor.

Citigroup Global Markets, Inc. and Its Affiliates (together, CGMI or the Applicant), Located in New York, New York

[Prohibited Transaction Exemption 2010-33; Exemption Application No. D-11573]

Exemption

Section I. Covered Transactions

A. The restrictions of section 406(a) of the Act and the sanctions resulting from the application of section 4975 of the Code, by reason of section 4975(c)(1)(A) through (D) of the Code, shall not apply, effective May 31, 2009, to the purchase or redemption of shares by an employee benefit plan, an individual retirement account (an IRA), a
retirement plan for self-employed individuals (a Keogh Plan), or an individual account pension plan that is subject to the provisions of Title I of the Act and established under section 403(b) of the Code (the Section 403(b) Plan) (collectively, the Plans) in the Trust for Consulting Group Capital Markets Funds (the Trust), sponsored by MSSB
in connection with such Plans' participation in the TRAK Personalized Investment Advisory Service (the TRAK Program).

B. The restrictions of section 406(b) of the Act and the sanctions resulting from the application of section 4975 of the Code, by reason of section 4975(c)(1)(E) and (F) of the Code, shall not apply, effective May 31, 2009, with respect to the provision of (i) investment advisory services by the Adviser or (ii) an automatic reallocation
option as described below (the Automatic Reallocation Option) to an independent fiduciary of a participating Plan (the Independent Plan Fiduciary), which may result in such fiduciary's selection of a portfolio (the Portfolio)[12] in the TRAK Program for the investment of Plan assets.

This exemption is subject to the following conditions set forth below in Section II.

Section II. General Conditions

(a) The participation of Plans in the TRAK Program is approved by an Independent Plan Fiduciary. For purposes of this requirement, an employee, officer or director of the Adviser and/or its affiliates covered by an IRA not subject to Title I of the Act will be considered an Independent Plan Fiduciary with respect to such IRA.

[12] For the avoidance of doubt, unless the context suggests otherwise, the term ``Portfolio'' includes the Stable Value
Investments Fund, a collective trust fund established and maintained by First State Trust Company, formerly a wholly-owned subsidiary of Citigroup.

(b) The total fees paid to the Adviser and its affiliates will constitute no more than reasonable compensation.

(c) No Plan pays a fee or commission by reason of the acquisition or redemption of shares in the Trust.

(d) The terms of each purchase or redemption of Trust shares remain at least as favorable to an investing Plan as those obtainable in an arm's length transaction with an unrelated party.

(e) The Adviser provides written documentation to an Independent Plan Fiduciary of its recommendations or evaluations based upon objective criteria.

(f) Any recommendation or evaluation made by the Adviser to an Independent Plan Fiduciary is implemented only at the express direction of such Independent Plan Fiduciary, provided, however, that --

(1) If such Independent Plan Fiduciary elects in writing (the Election), on a form designated by the Adviser from time to time for such purpose, to participate in the Automatic Reallocation Option under the TRAK Program, the affected Plan or participant account is automatically reallocated whenever the Adviser modifies the particular
asset allocation recommendation which the Independent Plan Fiduciary has chosen. Such Election continues in effect until revoked or terminated by the Independent Plan Fiduciary in writing.

(2) Except as set forth below in paragraph II(f)(3), at the time of a change in the Adviser's asset allocation recommendation, each account based upon the asset allocation model (the Allocation Model) affected by such change is adjusted on the business day of the release of the new Allocation Model by the Adviser, except to the extent that market conditions, and order purchase and redemption procedures, may delay such processing through a series of purchase and redemption transactions to shift assets among the affected Portfolios.

(3) If the change in the Adviser's asset allocation recommendation exceeds an increase or decrease of more than 10 percent in the absolute percentage allocated to any one investment medium (e.g., a suggested increase in a 15 percent allocation to greater than 25 percent, or a decrease of such 15 percent allocation to less than 5 percent), the
Adviser sends out a written notice (the Notice) to all Independent Plan Fiduciaries whose current investment allocation may be affected, describing the proposed reallocation and the date on which such allocation is to be instituted (the Effective Date). If the Independent Plan Fiduciary notifies the Adviser, in writing, at any time within the period of 30 calendar days prior to the proposed Effective Date that such fiduciary does not wish to follow such revised asset allocation recommendation, the Allocation Model remains at the current level, or at such other level as the Independent Plan Fiduciary then expressly designated, in writing. If the Independent Plan Fiduciary does not affirmative `opt out' of the new Adviser recommendation, in writing, prior to the proposed Effective Date, such new recommendation is automatically effected by a dollar-for-dollar liquidation and purchase of the required amounts in the respective account.

(4) An Independent Plan Fiduciary will receive a trade confirmation of each reallocation transaction. In this regard, for all Plan investors other than Section 404(c) Plan accounts (i.e., 401(k) Plan accounts), CGMI or MSSB, as applicable, mails trade confirmations on the next business day after the reallocation trades are executed. In
the case of Section 404(c) Plan participants notification depends upon the notification provisions agreed to by the Plan recordkeeper.

(g) The Adviser generally gives investment advice in writing to an Independent Plan Fiduciary with respect to all available Portfolios. However, in the case of a Plan providing for participant-directed investments (the Section 404(c) Plan), the Adviser provides investment advice that is limited to the Portfolios made available under the Plan.

(h) Any sub-adviser (the Sub-Adviser) that acts for the Trust to exercise investment discretion over a Portfolio is independent of Morgan Stanley, Inc. (Morgan Stanley), CGMI, MSSB and their respective affiliates (collectively, the Affiliated Entities).

(i) Immediately following the acquisition by a Portfolio of any securities that are issued by any Affiliated Entity, such as Citigroup or Morgan Stanley common stock (the Adviser Common Stock), the percentage of that Portfolio's net assets invested in such securities will not exceed one percent. However, this percentage limitation may be
exceeded if--

(1) The amount held by a Sub-Adviser in managing a Portfolio is held in order to replicate an established third-party index (the Index).

(2) The Index represents the investment performance of a specific segment of the public market for equity securities in the United States and/or foreign countries. The organization creating the Index is:

(i) Engaged in the business of providing financial information;

(ii) A publisher of financial news information; or

(iii) A public stock exchange or association of securities dealers. The Index is created and maintained by an organization independent f the Affiliated Entities and is a generally-accepted standardized Index of securities which is not specifically tailored for use by the Affiliated Entities.

(3) The acquisition or disposition of Adviser Common Stock does not include any agreement, arrangement or understanding regarding the design or operation of the Portfolio acquiring such Adviser Common Stock, which is intended to benefit the Affiliated Entities or any party in which any of the Affiliated Entities may have an interest.

(4) The Independent Plan Fiduciary authorizes the investment of a Plan's assets in an Index Fund which purchases and/or holds the Adviser Common Stock and the Sub-Adviser is responsible for voting any shares of Adviser Common Stock that are held by an Index Fund on any matter in which shareholders of Adviser Common Stock are required or permitted to vote.

(j) The quarterly investment advisory fee that is paid by a Plan to the Adviser for investment advisory services rendered to such Plan is offset by any amount in excess of 20 basis points that MSSB retains from any Portfolio (with the exception of the Money Market Investments Portfolio and the Stable Value Investments Portfolio for which neither MSSB nor the Trust will retain any investment management fee) which contains investments attributable to the Plan investor.

(k) With respect to its participation in the TRAK Program prior to purchasing Trust shares,

(1) Each Plan receives the following written or oral disclosures from the Adviser:

(A) A copy of the Prospectus for the Trust discussing the investment objectives of the Portfolios comprising the Trust, the policies employed to achieve these objectives, the corporate affiliation existing among the Adviser and its affiliates, and the compensation paid to such entities.[13]

(B) Upon written or oral request to the Adviser, a Statement of Additional Information supplementing the Prospectus which describes the types of securities and other instruments in which the Portfolios may invest, the investment policies and strategies that the Portfolios may utilize and certain risks attendant to those investments, policies and strategies.

(C) A copy of the investment advisory agreement between the Adviser and such Plan which relates to participation in the TRAK Program and describes the Automatic Reallocation Option.

(D) Upon written request of the Adviser, a copy of the respective investment advisory agreement between MSSB and

(E) the Sub-Advisers.

(F) In the case of a Section 404(c) Plan, if required by the arrangement negotiated between the Adviser and the Plan, an explanation by an Adviser representative (the Financial Advisor) to eligible participants in such Plan, of the services offered under the TRAK Program and the operation and objectives of the Portfolios.

(G) A copy of the proposed exemption and the final exemption pertaining to the exemptive relief described herein.

(2) If accepted as an investor in the TRAK Program, an Independent Plan Fiduciary of an IRA or Keogh Plan is required to acknowledge, in writing, prior to purchasing Trust shares that such fiduciary has received copies of the documents described above in subparagraph (k)(1) of this section.

(3) With respect to a Section 404(c) Plan, written acknowledgement of the receipt of such documents is provided by the Independent Plan Fiduciary (i.e., the Plan administrator, trustee or named fiduciary, as the recordholder of Trust shares). Such Independent Plan Fiduciary is required to represent in writing to the Adviser that such fiduciary is (a) independent of the Affiliated Entities and (b) knowledgeable with respect to the Plan in administrative matters and funding matters related thereto, and able to make an informed decision concerning participation in the TRAK Program.

(4) With respect to a Plan that is covered under Title I of the Act, where investment decisions are made by a trustee, investment manager or a named fiduciary, such Independent Plan Fiduciary is required to acknowledge, in writing, receipt of such documents and represent to the Adviser that such fiduciary is (a) independent of the Affiliated Entities, (b) capable of making an independent decision regarding the investment of Plan assets and (c)
knowledgeable with respect to the Plan in administrative matters and funding matters related thereto, and able to make an informed decision
concerning participation in the TRAK Program.

(l) Subsequent to its participation in the TRAK Program, each Plan receives the following written or oral disclosures with respect to its ongoing participation in the TRAK Program:

(1) The Trust's semi-annual and annual report including a financial statement for the Trust and investment management fees paid by each Portfolio.

(2) A written quarterly monitoring statement containing an analysis and an evaluation of a Plan investor's account to ascertain whether the Plan's investment objectives have been met and recommending, if required, changes in Portfolio allocations.

(3) If required by the arrangement negotiated between the Adviser and a Section 404(c) Plan, a quarterly, detailed investment performance monitoring report, in writing, provided to an Independent Plan Fiduciary of such Plan showing Plan level asset allocations, Plan cash flow analysis and annualized risk adjusted rates of return for Plan
investments. In addition, if required by such arrangement, Financial Advisors meet periodically with Independent Plan Fiduciaries of Section 404(c) Plans to discuss the report as well as with eligible participants to review their accounts' performance.

(4) If required by the arrangement negotiated between the Adviser and a Section 404(c) Plan, a quarterly participant performance monitoring report provided to a Plan participant which accompanies the participant's benefit statement and describes the investment performance of the Portfolios, the investment performance of the participant's individual investment in the TRAK Program, and gives market commentary and toll-free numbers that enable the participant to obtain more information about the TRAK Program or to amend his or her investment allocations.

(5) On a quarterly and annual basis, written disclosures to all Plans of (a) the percentage of each Portfolio's brokerage commissions that are paid to the Affiliated Entities and (b) the average brokerage commission per share paid by each Portfolio to the

[13] The fact that certain transactions and fee arrangements are the subject of an administrative exemption does not relieve the Independent Plan Fiduciary from the general fiduciary responsibility provisions of section 404 of the Act. In this regard, the Department expects the Independent Plan Fiduciary to consider carefully the totality of the fees and expenses to be paid by the Plan, including any fees paid directly to MSSB, CGMI or to other third parties.

Affiliated Entities, as compared to the average brokerage commission per share paid by the Trust to brokers other than the Affiliated Entities, both expressed as cents per share.

(m) The Adviser maintains or causes to be maintained, for a period of (6) six years, the records necessary to enable the persons described in paragraph (m)(1) of this section to determine whether the applicable conditions of this exemption have been met. Such records are readily available to assure accessibility by the persons identified in
paragraph (1) of this section.
(1) Notwithstanding any provisions of section 504(a)(2) and (b) of the Act, the records referred to in the first paragraph of this section are unconditionally available at their customary location for
examination during normal business hours by--

(i) Any duly authorized employee or representative of the Department or the Internal Revenue Service;

(ii) Any fiduciary of a participating Plan or any duly authorized representative of such fiduciary;

(iii) Any contributing employer to any participating Plan or any duly authorized employee representative of such employer; and

(iv) Any participant or beneficiary of any participating Plan, or any duly authorized representative of such participant or beneficiary.

(2) A prohibited transaction is not deemed to have occurred if, due to circumstances beyond the control of the Adviser, the records are lost or destroyed prior to the end of the six-year period, and no party in interest other than the Adviser is subject to the civil penalty that may be assessed under section 502(i) of the Act or to the taxes imposed by sections 4975(a) and (b) of the Code if the records are not maintained or are not available for examination as required by paragraph (1) of this section.

(3) None of the persons described in subparagraphs (ii)-(iv) of section (m)(1) is authorized to examine the trade secrets of the Adviser or commercial or financial information which is privileged or confidential.

(4) Should the Adviser refuse to disclose information on the basis that such information is exempt from disclosure, the Adviser shall, by the close of the thirtieth (30th) day following the request, provide written notice advising that person of the reason for the refusal and that the Department may request such information.

Section III. Definitions

For purposes of this exemption:

(a) The term ``Adviser'' means CGMI or MSSB as investment adviser to Plans.

(b) The term ``Affiliated Entities'' means Morgan Stanley, CGMI, MSSB and their respective affiliates.

(c) The term ``CGMI'' means Citigroup Global Markets Inc. and any affiliate of Citigroup Global Markets Inc.

(d) An ``affiliate'' of any of the Affiliated Entities includes:

(1) Any person directly or indirectly through one or more intermediaries, controlling, controlled by, or under common control with the Affiliated Entity. (For purposes of this subparagraph, the term ``control'' means the power to exercise a controlling influence over the management or policies of a person other than an individual);

(2) Any individual who is an officer (as defined in Section III(g) hereof), director or partner in the Affiliated Entity or a person described in subparagraph (d)(1);

(3) Any corporation or partnership of which the Affiliated Entity, or an affiliate described in subparagraph (d)(1), is a 10 percent or more partner or owner; and

(4) Any corporation or partnership of which any individual which is an officer or director of the Affiliated Entity is a 10 percent or more partner or owner.

(e) An ``Independent Plan Fiduciary'' is a Plan fiduciary which is independent of the Affiliated Entities and is either:

(1) A Plan administrator, sponsor, trustee or named fiduciary, as the recordholder of Trust shares under a Section 404(c) Plan;

(2) A participant in a Keogh Plan;

(3) An individual covered under (i) a self-directed IRA or (ii) a Section 403(b) Plan, which invests in Trust shares;

(4) A trustee, investment manager or named fiduciary responsible for investment decisions in the case of a Title I Plan that does not permit individual direction as contemplated by Section 404(c) of the Act; or

(5) A participant in a Plan, such as a Section 404(c) Plan, who is permitted under the terms of such Plan to direct, and who elects to direct, the investment of assets of his or her account in such Plan.

(f) The term ``MSSB'' means Morgan Stanley Smith Barney Holdings LLC, together with its subsidiaries.

(g) The term ``officer'' means a president, any vice president in charge of a principal business unit, division or function (such as sales, administration or finance), or any other officer who performs a policymaking function for the entity.

Section IV. Effective date

This exemption is effective as of May 31, 2009 with respect to the Covered Transactions, the General Conditions and the Definitions that are described in Sections I, II and III.

Written Comments

The Department invited all interested persons to submit written comments and/or requests for a public hearing with respect to the notice of proposed exemption on or before August 25, 2010. During the comment period, the Department received 13 telephone calls and 2 comment letters from participants or beneficiaries in Plans with
investments in the TRAK Program, which concerned the commenters' difficulty in understanding the notice of proposed exemption or the effect of the exemption on the commenters' benefits. The Department also received one written comment from the Applicant, which concerned the correction of a publication error appearing in the operative language of Section II of the proposed exemption and the correction of a typographical error appearing in Representation 15 of the Summary of Facts and Representations (the Summary). The Department received no
hearing requests during the comment period.

With respect to the operative language, the Applicant notes that the first two paragraphs of Section II, General Conditions read:

(a) The participation of Plans in the TRAK Program is

(b) Approved by an Independent Plan Fiduciary. For purposes of this requirement, an employee, officer or director of the Adviser and/or its affiliates covered by an IRA not subject to Title I of the Act will be considered an Independent Plan Fiduciary with respect to such IRA.

Accordingly, the Applicant requests that parenthetical ``(b)'' be deleted and the sentence fragments reproduced above be combined into a single paragraph following the parenthetical ``(a)'', and that the ensuing paragraphs in Section II be re-lettered for consistency. The Department concurs with the Applicant's requested correction of this
publication error and it has revised Section II of the final exemption. With respect to the Summary, the Applicant notes that, at the end of Representation 15, which describes revisions to the operative language of PTE 2009-12, the proposed exemption states that ``a new definition of MSSB is added in Section III(f) to mean Morgan Stanley
Smith Barney Holdings LLC, together with its affiliates.'' However, the Applicant points out that the definition of MSSB in Section III(f) of the proposed exemption includes the term ``subsidiaries,'' rather than ``affiliates.'' Accordingly, the Applicant requests that, at the end of Representation 15, the word ``affiliates'' be replaced with the word ``subsidiaries,'' in order to be consistent with Section III(f) of the Definitions. The Department concurs and takes note of the foregoing revision to Representation 15 of the Summary.

After giving full consideration to the entire record, including the written comments, the Department has decided to grant the exemption, as described above. The complete application file is made available for public inspection in the Public Documents Room of the Employee Benefits Security Administration, Room N-1513, U.S. Department of Labor, 200 Constitution Avenue, NW., Washington, DC 20210.

For a more complete statement of the facts and representations supporting the Department's decision to grant this exemption refer to the proposed exemption published in the Federal Register on June 11, 2010 at 75 FR 33344.

FOR FURTHER INFORMATION CONTACT: Warren Blinder of the Department, telephone (202) 693-8553. (This is not a toll-free number.)

Signed at Washington, DC, this 13th day of December 2010.
Ivan Strasfeld,
Director of Exemption Determinations, Employee Benefits Security
Administration, U.S. Department of Labor.
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