

# Disclosure Document for Morgan Stanley Smith Barney LLC

Access  
Advisory  
Fund Solution  
Institutional Consulting Group  
Personal Portfolio  
Vision  
Fiduciary Asset Management  
Global Investment Solutions

**March 28, 2011**

## **IMPORTANT NOTE**

Do not use this document for the Access Program, the Vision Program or the Vision III Program (except that you should still use it for the Vision - Alternative Investment Vehicles Program).

See instead the applicable Morgan Stanley Smith Barney LLC Form ADV Program Brochure for the:

- Fiduciary Services Program (formerly called the Access Program)
- Consulting and Evaluation Services Program (formerly called the Vision Program) and
- Investment Management Services Program (formerly called the Vision III Program).

This is available at [www.smithbarney.com/ADV](http://www.smithbarney.com/ADV) or on request from your Financial Advisor.

2000 Westchester Avenue  
Purchase, NY 10057  
(914) 225-1000

**This Disclosure Document provides clients with information about  
Morgan Stanley Smith Barney LLC and the Access,  
Global Investment Solutions, Vision, Personal Portfolio, Fiduciary Asset Management,  
Fund Solution, Institutional Consulting Group and Advisory programs that should be  
considered before becoming a client of any of these Morgan Stanley Smith Barney programs.  
This information has not been approved or verified by any governmental authority.**

Investments and services offered through Morgan Stanley Smith Barney LLC. Member SIPC.

SEC File Number 801-70103

**MorganStanley  
SmithBarney**

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# Disclosure Document for Morgan Stanley Smith Barney LLC

**The information regarding the investment adviser contained in this Disclosure Document has not been passed upon or approved by the Securities and Exchange Commission (the “SEC”), nor has the SEC passed upon or approved the qualifications or business practices of the investment adviser described herein.**

## I. Introduction to Morgan Stanley Smith Barney

Morgan Stanley Smith Barney LLC (generally referred to in this Disclosure Document as “Morgan Stanley Smith Barney” or “MSSB”) 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 brokerage firms in the country with branch offices in all 50 states and the District of Columbia. MSSB’s investment advisory clients include individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations, banks and thrift institutions, municipal organizations, and other business entities and organizations.

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 Morgan Stanley Smith Barney LLC.

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

Many of MSSB’s advisory services are provided by its Consulting group (“CG”).

Additional advisory programs provided through the MS Channel are sponsored by the Morgan Stanley Private Wealth Management division (“PWM”). Services provided by PWM are described in a separate disclosure document.

Before the closing of the joint venture transaction, the programs described in this Disclosure Document were provided by MS&Co. Following the closing of the joint venture, the programs are now provided by MSSB in its MS Channel. For additional information about MSSB and its senior officers, a copy of MSSB’s Form ADV Part I and Part II is available upon request. Form ADV Part I is publicly available at the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Morgan Stanley Smith Barney’s Financial Industry Activities and Affiliates

Morgan Stanley Parent indirectly owns 51% of MSSB. Morgan Stanley Parent is a financial holding company under the Bank Holding Company Act of 1956, as amended. 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. They are both global firms providing, through their various subsidiaries, a wide range of financial services to corporations, governments, financial institutions, and individual investors. Their businesses include 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; the trading of foreign exchange and commodities, as well as structured financial products on a broad range of asset categories; and global custody, securities clearance services, and securities lending.

MSSB has related persons that are registered investment advisers, including Morgan Stanley Investment Management Inc., Morgan Stanley Investment Advisors Inc. and Morgan Stanley Investment Management Limited, some of which may serve as investment managers in the programs described below. MSSB also has a related person that is a commodity pool operator (Demeter Management Corp.). For a full listing of affiliated investment advisers please see the ADV Part I.

Both Morgan Stanley Parent and Citi have various subsidiaries performing other financial services activities. For example, on the Morgan Stanley side, Morgan Stanley Investment Advisors Inc. and its wholly owned subsidiary, Morgan Stanley Services Company Inc. and Morgan Stanley Investment Management Inc., serve in various advisory, management, and administrative capacities to many open-end and closed-end investment companies and other portfolios, some of which are listed on the New York Stock Exchange. Morgan Stanley Distributors Inc. serves as distributor for such 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-1 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.

Program Name	Access <sup>sm</sup>	Vision <sup>sm</sup>	Personal Portfolio <sup>sm</sup>	Fund Solution <sup>sm</sup>	Institutional Consulting Group	Morgan Stanley Advisory <sup>sm</sup>	Fiduciary Asset Management	Global Investment Solutions
<b>Description</b>	A separately managed account program in which all services are provided under a single contract authorizing MSSB to hire investment managers for the client. Each manager selected by the client requires its own account.	A program in which clients contract directly with selected separately managed account investment managers or (for qualified clients) invest in alternative investment vehicles, and separately contract with MSSB for its services. Each manager or vehicle selected by the client requires its own account.	A unified managed account combining multiple investment disciplines and investment options in a single account.	A mutual fund asset allocation program.	A consulting program designed to support the special needs of institutional clients.	A non-discretionary advisory program in which clients receive investment advice on a wide range of securities from their Financial Advisor.	A discretionary program for high net worth and institutional clients in which MSSB manages the overall investment process through a “manager-of-managers” program.	A separately managed account program in which all services are provided under a single contract in which MSSB acts as the investment manager for the client.
<b>Investment Options</b>	Affiliated and non-affiliated investment managers on CG IAR’s Focus List or Approved List.	Affiliated and non-affiliated investment managers on CG IAR’s Focus List or Approved List, and affiliated and non-affiliated alternative investment vehicles on the Alternatives Approved List.	Affiliated and non-affiliated investment managers on CG IAR’s Focus List or Approved List, mutual funds and exchange-traded funds.	Affiliated and non-affiliated mutual funds approved by MSSB.	Affiliated and non-affiliated investment managers, mutual funds and other investment options, both approved and non-approved by MSSB.	US Equities, fixed income securities, and affiliated and non-affiliated mutual funds, exchange traded funds, closed-end funds and covered options.	Unaffiliated managers, mutual funds, ETFs, alternative investments	Internal investment managers.
<b>Minimum Account Size</b>	Generally \$100,000 – \$250,000 depending on investment discipline.	Varies depending on investment discipline.	\$50,000–\$1,000,000 depending on investment options selected.	\$10,000	Varies depending on investment discipline.	Generally, \$25,000 (lower thresholds may apply to certain employee sponsored retirement plans).	Generally, \$2 million	\$100,000–\$5,000,000 depending on investment options selected.
<b>Fee Options</b>	Asset-based fee.	Asset-based fee, fixed dollar fee, or directed brokerage.	Asset-based fee.	Asset-based fee.	Asset-based fee, fixed dollar fee, or directed brokerage.	Asset-based fee.	Asset-based fee.	Asset-based fee.

## II. Morgan Stanley Smith Barney Consulting Programs — Overview

MSSB is the sponsor for the programs described in this Disclosure Document (the “Programs”). Services provided to clients in these Programs are investment advisory services, unless noted otherwise. In each Program, the client’s account is managed by a Morgan Stanley Smith Barney Financial Advisor (“Financial Advisor”) or Private Wealth Management Private Wealth Advisor (“Private Wealth Advisor”) and/or a professional money manager either at MSSB or at external money management firms. When a third party manager is used, the client’s Financial Advisor or Private Wealth Advisor remains involved as a consultant, helping the client monitor performance and make portfolio or other adjustments, if required. The MSSB Programs described in this Disclosure Document are shown in the table on page 2.

MSSB may introduce clients to one or more of the different managed account programs that MSSB sponsors. Each Program offers investment managers and other features that are not available in the others; conversely, some investment managers and/or some investment strategies may be available in more than one Program.

### Additional Morgan Stanley Smith Barney Programs not included in this Disclosure Document

**Custom Portfolio.** Offers clients investment management, brokerage, custody, reporting, and related services for a single, asset-based fee. In the Custom Portfolio program, the client’s Financial Advisor is primarily responsible for implementing investment management decisions for the client’s account on a discretionary basis. This program is described in the Custom Portfolio Disclosure Document, which you can obtain from your Financial Advisor or Private Wealth Advisor.

**Discretionary Management (“DM”), Investment Group (“IG”) and Non-Discretionary Advisory (“NDA”) programs.** PWM’s DM, IG and NDA programs provide clients with discretionary and non-discretionary investment management services as well as brokerage, custody, reporting and related services primarily on an asset-based fee basis. The programs are described in the Private Wealth Management Disclosure Document, which you can obtain from your Financial Advisor.

**Note:** Other than the DM, IG and NDA programs, PWM clients can only invest in the Access, Vision and Personal Portfolio programs through their Private Wealth Advisor.

**Programs Provided Through the Smith Barney Channel.** As discussed in *Introduction to Morgan Stanley Smith Barney* above, certain other programs are provided through the Smith Barney channel of MSSB.

### Program Fees

The fees charged by MSSB for the Programs described in this Disclosure Document are generally “asset-based”, that is, they are expressed as an annual percentage of the assets in the

account. Other fee arrangements may be available in certain Programs.

**Asset-Based Fees.** The Program fees are usually structured as asset-based fees and generally cover a range of available services, including consulting and administrative services by MSSB, ongoing monitoring of investment managers, services provided by the client’s Financial Advisor or Private Wealth Advisor (including periodic reviews of the client’s account), reporting, execution of transactions with or through MSSB, and custody of securities by MSSB. Depending on the Program, the fee may include portfolio management services. The Program fees do not cover commissions on transactions directed to broker-dealers other than MSSB, MS&Co. and their affiliates, any MSSB account establishment or maintenance fees for its Individual Retirement Accounts (“IRA”) and Versatile Investment Plans (“VIP”), which are set forth in the respective IRA and VIP account and fee documentation (which may change from time to time), and other additional charges and expenses, as described under “*General Information About the Morgan Stanley Smith Barney Consulting Programs*.” Program fees also do not cover the internal management fees and other expenses of pooled investment vehicles, such as exchange-traded funds and exchange-traded trusts (collectively, “ETFs”), mutual funds and alternative investment vehicles. If a Program account is invested in pooled investment vehicles, these charges will be in addition to any Program fee and will reduce the account’s returns.

**Payments to Financial Advisors and Private Wealth Advisors.** A portion of the fee charged will be paid to the client’s Financial Advisor or Private Wealth Advisor in connection with the provision of client-related services.

**Available Services.** Participation in a Program provides access to all the services and features available in that Program. Individual accounts may or may not require or use all the available services, depending, among other things, on the client’s selection of investment managers and other investment products for the account, and the tax and other circumstances of the client. However, clients may not be able to pick and choose specific services and features for their accounts, and, aside from the ability to negotiate the overall level of the fee, Program fees will not be adjusted based on the services actually used by an account.

**Fees are Negotiated.** The Program fees set forth in this Disclosure Document are the maximum annual rates for each Program. Fees are negotiated and may differ from client to client based on a number of factors, including the type and size of the account. The actual rates agreed upon between the client and the Financial Advisor or Private Wealth Advisor with respect to a Program account will be set forth in the related client agreement.

**Breakpoints.** Depending on the Program and client, actual agreed-upon fee rates may be expressed as a fixed rate applicable to all assets in the account, or as a schedule of rates applicable to different asset levels, or “breakpoints.” (In special circumstances, and with the client’s agreement, the fee charged to a client for an account or for one or more breakpoints might be more than the maximum annual fee stated in this Disclosure Document.)

When the fee is expressed as a schedule of rates corresponding to different breakpoints, discounts, if any, will be negotiated separately for each breakpoint. As the value of account assets reaches the various breakpoints, the incremental assets above each threshold will be charged the applicable rates. Accordingly, the effective fee rate will be a weighted average of the scheduled rates, and will change with the account asset level.

**Accounts Related for Billing Purposes.** When two or more managed accounts are related together for billing purposes, the client can benefit even more from existing breakpoints. If a client has two accounts, the “related” fees on Account #1 are calculated by applying the client’s total assets (i.e. assets in Account #1 + assets in Account #2) to the Account #1 breakpoints. Because this amount is greater than the amount of assets solely in Account #1, the client may have a greater proportion of assets subject to lower fee rates, which in turn lowers the average fee rate for Account #1. This average fee rate is then multiplied by the actual amount of assets in Account #1 to determine the dollar fee for Account #1. Likewise, the total assets are applied to the Account #2 breakpoints to determine the average fee rate for Account #2, which is then multiplied by the actual amount of assets in Account #2 to determine the dollar fee for Account #2.

Only certain accounts may be related for billing purposes, based on MSSB’s policies and procedures. Even where accounts are eligible to be related under these policies and procedures, they will only be related if this is specifically agreed between the client and the Financial Advisor or Private Wealth Advisor.

**Similar Services May be Available Elsewhere.** Program fees vary across different Programs. Clients may be able to obtain similar services separately for a lower fee from MSSB or elsewhere. Several factors determine whether it would cost more or less to participate in a Program than to purchase the services separately, among them the size of the account, the types of investments and whether the investments involve costs in addition to the Program fee, and the amount of trading that would be effected for the account. In addition, a client may be able to obtain certain services or gain access to particular securities (e.g., load-waived mutual funds) for a lower fee in one program as opposed to another. Clients should consider this and other differences when deciding which Programs best suit their individual needs.

**Fees Subject to Change.** The fees described in this Disclosure Document are current to the date of the Disclosure Document and are subject to change from time to time. The fees may be reduced for MSSB employees, their family members or employees of MSSB affiliates.

**Payment of Fees.** Program fee payments are generally made quarterly in advance, according to the quarterly billing cycle selected by the client. The initial fee is due when the account is incepted. Inception occurs when MSSB countersigns the client agreement, approves the account for trading and has received sufficient funds (or securities) from the client. The initial fee for an account will be based on the value of the assets in that account on the opening date, and will cover the period from the opening date through the last day of the initial billing quarter. Thereafter, the quarterly asset-based fee for an account will be

based on the value of the assets in that account on the last business day of the previous billing quarter and will become due on the first business day of the following billing quarter.

Clients generally authorize MSSB to deduct the fee and any other charges from the account on or following the date they are payable. For accounts that are invoiced and not paid within 30 days of the invoice date, the fee will generally be debited to the account following the 30-day period. MSSB will credit the client with a prorated refund of prepaid fees, if applicable, when an account closes.

Generally, if a client withdraws from, or deposits to, an account cash or securities with a value equal to or greater than \$20,000 in a single transaction (\$5,000 in Fund Solution), the asset-based fee payment for the remainder of the applicable billing period will be adjusted on a pro rata basis to reflect the withdrawal or deposit, except as otherwise indicated in this Disclosure Document. No fee adjustment will be made during any billing period for withdrawals or deposits of less than \$20,000 (\$5,000 in Fund Solution) in a single transaction during that period. No fee adjustment will be made during any billing period for appreciation or depreciation in the value of account assets during that period.

**Additional Information.** For more important information on fees and other costs, see the discussion of fees applicable to each individual Program, and “*General Information About the Morgan Stanley Smith Barney Consulting Programs*” below.

## **Selection of Investment Managers and Funds for the Programs**

In Access, Vision, Personal Portfolio, Fund Solution, the Institutional Consulting Group and Fiduciary Asset Management programs, we offer a wide array of investment managers, mutual funds, ETFs and/or alternative investment vehicles selected and approved by MSSB in the manner described in this section (“Program Investment Products”).

Unless specified otherwise, accounts in these programs may not hold managers, pooled investment vehicles (e.g., open-end mutual funds, ETFs or alternative investment vehicles) that are not approved by MSSB, or whose participation in these programs has been terminated. In some circumstances, clients may be able to retain terminated managers or pooled investment vehicles in other advisory programs (e.g., Morgan Stanley Advisory) or in a brokerage capacity subject to the regular terms and conditions applying to brokerage accounts. Clients should consult their Financial Advisor or Private Wealth Advisor about these options.

In some circumstances, a manager in a Program may delegate some of its duties to a subadvisor.

The creation of the Morgan Stanley Smith Barney joint venture in June 2009 brought together two large and powerful manager research teams. The combined manager research effort possesses considerable resources allowing for greater breadth of research coverage and significant reporting depth, while providing investment advisory clients with access to a wide range of product offerings across separately managed accounts, mutual

funds, ETFs and alternative investment vehicles. The combined team is known as Consulting Group Investment Advisor Research (“CG IAR”). CG IAR uses two methods to evaluate certain investment managers and mutual funds available in the Vision, Access, Personal Portfolio, Fund Solution, Institutional Consulting Group and Fiduciary Asset Management programs:

- Opinion Research (and Program Investment Products meeting this research standard are described as being on the “Focus List”) and
- Access Research (and Program Investment Products meeting this research standard are described as being on the “Approved List”).

Exhibit B to this Disclosure Document shows which Program Investment Products are on the Focus and Approved Lists as of the date this Disclosure Document was prepared. See the website ([www.morganstanleyindividual.com/accountoptions/managedmoney/manager/default.asp](http://www.morganstanleyindividual.com/accountoptions/managedmoney/manager/default.asp)) or ask your Financial Advisor or Private Wealth Advisor for a more up-to-date list. In each Program, only some of the Program Investment Products on the Focus List and Approved List may be available.

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

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

**Access Research.** The less comprehensive “Access Research” process evaluates various qualitative and quantitative factors of Program Investment Products under consideration for the Approved List. Among the factors which may be considered in determining whether a particular investment option will be “Approved” under Access Research include personnel depth,

turnover and experience; investment process; business and organization characteristics; and investment past performance. To assist in their evaluation, the CG IAR team may use an algorithm – a rules-based scoring mechanism – that reviews various qualitative and quantitative factors and ranks each investment option contained in a third-party database. Not all Program Investment Products reviewed under Access Research will use the algorithm. When a Program Investment Product is processed by the algorithm, analysts analyze the information contained in the algorithm to gauge the completeness and consistency of the data which drive the rankings, and then follow-up with the Program Investment Product’s manager or sponsor with additional information requests. The ultimate result of this research effort is a conclusion by CG IAR that the Program Investment Product either meets the Access Research standard (product is “Approved” and placed on the Approved List) or does not. Furthermore, CG IAR may evaluate a Program Investment Product under the Opinion Research process but then assign it an “Approved” status rating (instead of a “Focus” status rating), in which case it will be placed on the Approved List.

Program Investment Products that meet the Access Research standard are reviewed periodically by CG IAR to evaluate whether they continue to meet CG IAR’s standard to be listed as “Approved.” However, data and information provided by Program Investment Products in connection with the review process are not independently verified by CG IAR or Consulting Group.

**Changes in Status from Focus List to Approved List.** In light of the differing research methodology and standards under Opinion and Access Research, CG IAR may determine that a Program Investment Product no longer meets the criteria to remain on the Focus List or will no longer be reviewed under the criteria for Opinion Research, but in either case meets the criteria to be on the Approved List. If so, MSSB generally notifies program clients regarding such status changes on a quarterly basis.

**Changes in Status to Not Approved.** CG IAR may determine that a Program Investment Product no longer meets the criteria under either research process and therefore in the future, the investment option will no longer be recommended in MSSB’s advisory programs. Affected clients are notified of these downgrades. Clients cannot retain downgraded Program Investment Products in their Program accounts and will be required to select a replacement from the Approved List or Focus List, and that is available in the Program, if they wish to retain the Program’s benefits in respect of the affected assets.

**Watch Policy.** CG IAR has a “Watch” policy for covered Program Investment Products. Watch status indicates that, in the course of its review of a given Program Investment Product, CG IAR has identified specific areas of the investment manager’s business that (a) merit further evaluation by CG IAR; and (b) may, but is not certain to, result in a the Program Investment Product becoming “Not Approved.” Putting a Program Investment Product on Watch does not signify an actual change in CG IAR opinion nor is it a guarantee that such a downgrade will necessarily occur. The duration of a Watch status will vary according to the length of time necessary for CG IAR to conduct its evaluation and for the Program Investment Product’s firm to address any areas of concern identified by CG IAR. For



additional information, clients should ask their Financial Advisor for a copy of Investment Advisor Research's Watch Policy.

**Tactical Opportunities List.** Certain Program Investment Products approved under either the Opinion Research or Access Research process may also be recommended based in part on tactical opportunities existing at a given time. Such Program Investment Products will be described as being on the "Tactical Opportunities List."

**Selection of Affiliated Managers.** CG IAR's processes for evaluating managers affiliated with MSSB are the same as for unaffiliated managers. MSSB and its Financial Advisors and Private Wealth Advisors may have a conflict of interest when assessing affiliated managers and when assisting clients in selecting investment managers, because MSSB and its affiliates may receive more aggregate fees if clients select an investment manager that is affiliated with MSSB.

**Selection of Mutual Funds for the Programs.** Certain of the Programs offer mutual funds as investment options. Mutual funds available in these Programs are generally selected from among the funds offered by fund families that have an existing distribution agreement with MSSB, which permits the sale of their funds through Financial Advisors or Private Wealth Advisors and commits the funds or their affiliates to pay revenue sharing to MSSB or its affiliates. These fund families enter into a separate agreement with MSSB which allows certain of their funds to be offered through MSSB consulting programs. The distribution agreement with MSSB may provide that the fund family compensates MSSB or its affiliates for sales of fund shares through the Programs. Mutual funds who do not meet, or that fail to continue to meet, these compensation requirements will not be permitted into, or may be removed from, the Program and will not be available for sale to new investors in the Program. Occasionally, MSSB may consider a fund family for inclusion in the Programs even if shares of funds in that fund family are not sold through Financial Advisors at the time, subject to the fund family entering into an agreement with MSSB.

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

**Mutual Funds and ETFs in Personal Portfolio Not Currently Reviewed by CG IAR.** Some mutual funds and all ETFs offered in the Personal Portfolio program were not evaluated and monitored by CG IAR, but were instead approved and monitored by the Personal Portfolio Fund Committee ("PPF Committee") based on different criteria than that used by CG IAR. The PPF Committee was comprised of representatives of different disciplines. The PPF Committee established eligibility criteria (mostly quantitative rather than qualitative) for adding mutual funds and ETFs to Personal Portfolio. The list of your

investment options in your client agreement with MSSB will show which process applied to each mutual fund you select.

The PPF Committee was recently disbanded. Over the coming months, all mutual funds and ETFs offered in Personal Portfolio and not already covered by CG IAR will be added to either the Focus List or Approved List. CG IAR will not monitor any such mutual funds or ETFs until they are added to the Focus List or Approved List. Once a mutual fund or ETF is added to the Focus List or Approved List, any references in a client's Personal Portfolio Client Agreement to the fund not being subject to a structured due diligence process will no longer apply. If any funds a client holds are instead to be removed from the Personal Portfolio program, we will notify the client separately.

**Selection of Alternative Investment Vehicles for the Vision Program.** Investment and business risk due diligence on third party alternative investment vehicles in which qualified advisory clients may invest is provided by MSSB (through the Alternative Investments Research group ("Alternative Investments Research")), an affiliate of MSSB, or an independent consulting firm retained by MSSB that is also in the business of evaluating the capabilities of alternative investments. Any firm providing due diligence will generally follow a methodology similar to that used by Alternative Investment Research (described below) in reviewing such alternative investments.

On an ongoing basis, Alternative Investments Research analysts conduct both quantitative and qualitative research on potential candidates. Their research includes, among other things, a review of relevant documents, calls and meetings with the investment team, and an analysis of investment performance. They also conduct onsite visits, review a separate business risk due diligence questionnaire and examine areas such as portfolio pricing, contingency planning, background checks on key principals and other items. Their research covers the investment vehicle in question, not the investments in which that investment vehicle may in turn invest. For example, for a fund of funds, Alternative Investments Research's research process is applied to the fund of funds, and not to each individual fund in which the fund of funds invests.

If a new alternative investment vehicle is viewed as an appropriate candidate by Alternative Investments Research or the firm providing due diligence, the vehicle is presented to an MSSB alternative investment product review committee ("AIPRC"). The AIPRC consists of senior MSSB representatives who are mandated to approve proposed candidates and reconfirm existing vehicles on a periodic basis. Once a new vehicle is approved by the AIPRC, and all required due diligence materials are verified, it becomes an "Approved" vehicle, is placed on a list of alternative investment vehicles in which qualified clients may invest (the "Alternatives Approved List"), and is available for allocations to qualified clients on a placement and/or advisory basis. Certain alternative investment vehicles on the Alternatives Approved List are available to qualified clients in the Morgan Stanley Vision – Alternative Investments program.

Ongoing monitoring of managers and investment vehicles on the Alternatives Approved List is provided by Alternative Investments Research or the firm which provided the original

due diligence. In addition to manager-specific monitoring, the reviewer monitors overall market conditions in their specific strategies of expertise.

Alternative Investments Research's head of research can remove an alternative investment vehicle from the Alternatives Approved List without consulting the AIPRC, but all actions must be assessed by the AIPRC at the next meeting.

**Other Investment Products Approved by the Portfolio Advisory Services Group for the Fiduciary Asset Management Program.** The Portfolio Advisory Services Group may approve an investment product for the Fiduciary Asset Management program even if that investment product has not been approved by CG IAR or Alternative Investments Research. In doing so, the Portfolio Advisory Services Group may use whatever criteria it considers appropriate.

**Additional Information.** The Institutional Consulting Group Program allows clients, under certain circumstances, to select managers or investment vehicles that are not on the Approved List, Focus List or Alternatives Approved List. These managers and vehicles are not approved by MSSB and are not subject to due diligence or ongoing monitoring by CG IAR.

Certain managers on the Approved List or Focus List may have other business relationships with MSSB or any of its affiliates. For example, a manager may use MS&Co. or a Citi affiliate as its broker or may be an investment banking client of MS&Co. or a Citi affiliate. Neither the existence nor lack of a business relationship is considered as a factor in determining whether a manager should be included or should remain on the Approved List or Focus List.

## **Financial Advisor and Private Wealth Advisor Compensation**

A portion of the fees payable to MSSB in connection with each account in the Program is allocated on an ongoing basis to the client's Financial Advisor or Private Wealth Advisor. A Financial Advisor or Private Wealth Advisor may receive different compensation depending on the Program, the asset category within a Program that the client selects, the rate and amount of the client's fee, or whether the client separately receives investment advice, brokerage (and the amount of such brokerage), or other services. The rate of compensation that MSSB pays Financial Advisors and Private Wealth Advisors with respect to Program account fees is typically higher than the rate that MSSB pays Financial Advisors and Private Wealth Advisors on trades executed in transaction-based brokerage accounts. In addition, the amount of compensation that MSSB pays Financial Advisors and Private Wealth Advisors for accounts within a Program may differ depending on the asset categories the client selects (e.g. equity vs. fixed income). The Financial Advisor or Private Wealth Advisor, therefore, may have a financial incentive to present one or more of the Programs, or asset categories within a Program, over other MSSB programs or services. As a registered representative of MSSB, the client's Financial Advisor or Private Wealth Advisor may receive from time to time and at the discretion of MSSB other fees, credits, and consideration from MSSB. Financial

Advisers can provide their clients, on request, with a brochure entitled "Commissions and Fees" with additional information.

## **Payments from Investment Managers**

Investment managers participating in MSSB-sponsored training and education conferences may make certain payments to, or for the benefit of, MSSB or its Financial Advisors and Private Wealth Advisors. Investment managers may pay registration fees to participate in training and educational conferences sponsored by MSSB, which offset some of the costs of these conferences. A schedule of these registration fees is available upon request from a Financial Advisor or Private Wealth Advisor.

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

Investment managers are allowed occasionally to give nominal gifts to Financial Advisors and Private Wealth Advisors, and to occasionally entertain Financial Advisors and Private Wealth 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 they do not permit any gifts or entertainment conditioned on the achievement of a sales target. None of these amounts relate to any particular transactions or investment made by MSSB clients with investment managers. An annual estimate of the aggregate value of these amounts paid or provided by the investment managers to MSSB or particular Financial Advisors or Private Wealth Advisors may be provided, upon request, to clients. Investment managers participating in a Program are not required to make any of these types of payments.

## **Retirement Plan Accounts**

Different provisions and fee arrangements may apply to clients that are "Retirement Plan" accounts (including employee benefit plans as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") or retirement plans defined in Section 4975(e)(1) of the Internal Revenue Code of 1986, as amended, such as individual retirement accounts, IRAs), as further described under "*The Morgan Stanley Smith Barney Programs*" below and in Exhibit A.

## **III. The Morgan Stanley Smith Barney Programs**

### **Morgan Stanley Access**

Morgan Stanley Access offers clients the portfolio management services of affiliated and non-affiliated managers, selected and approved by MSSB, in a Program that provides consulting,

custody, brokerage and performance reporting services. Clients may select one or more investment managers to manage their assets from the Access list of managers (the “Access List”), which is generally a subset of the Focus List and Approved List described above. Although firms that are affiliated with MSSB are on the Access List, MSSB itself does not provide asset management services in Access and does not have discretionary authority over Access accounts. Managers on the Access List are selected and approved by MSSB as described above in “*Selection of Investment Managers and Mutual Funds for the Programs*,” based on a variety of factors, including investment strategy, minimum account size required by the manager, fees, and the business requirements of MSSB and the investment managers.

An Access client will complete an Investor Questionnaire that identifies the client’s investment objectives, risk tolerance, and investment time horizon. Based on the client’s responses to the Investor Questionnaire, MSSB will generate an Investor Profile for the client that recites these responses, and will identify investment managers deemed suitable for the client’s needs from the Access List. Clients may also consider other managers on the Access List, subject to varying minimum investment requirements.

Once a client has selected an investment manager, MSSB will retain the investment manager on the client’s behalf, and will provide a copy of the client’s Investor Profile to the investment manager for its review and acceptance. A manager has no obligation to the client until it has advised MSSB and the client in writing that it has accepted the client. A manager may decline to accept the client for any reason. The investment managers have the sole authority to manage the account and make all investment decisions, and do so in light of, among other things, the client’s investment objectives and requirements (including any restrictions).

The decision to participate in Access and the selection of the investment manager(s) is made by, and is the responsibility of, the client. The client will execute a client agreement with MSSB, which contains a power of attorney whereby the client directs MSSB to retain the investment managers(s) on behalf of the client and grants discretionary investment authority to the client’s selected investment manager(s). Clients must open a separate Access account for each investment manager they select.

MSSB will communicate to the client’s investment manager information it receives from the client about the client’s account restrictions, material changes in the client’s financial situation and any changes that the client wishes to make with respect to the management of the account.

**Account Minimum.** The account minimum for most equity, balanced, and taxable fixed income accounts is generally \$100,000. The account minimum for most municipal bond, high yield and tax-efficient equity accounts is \$250,000 or higher. Minimums may vary by investment manager.

**Fee.** Clients pay a single asset-based fee, charged quarterly, that covers the services provided by MSSB and the investment managers selected by the client. The maximum annual Access

fee rates are 2.97% for equity (except index equity) and balanced accounts, and 2.82% for fixed income and index equity accounts. Subject to these maximums, the fee may be a fixed rate applying to all assets in the account or a schedule of rates applicable to different breakpoints. (See “Breakpoints” on pages 2-3 of this Disclosure Document.)

The fees are applied to each of the client’s Access accounts. A client’s Access accounts are generally not aggregated with each other or with other advisory accounts for purposes of calculating whether the client meets any breakpoint thresholds unless specifically agreed between the client and the Financial Advisor or Private Wealth Advisor. See “Program Fees – Accounts Related for Billing Purposes” on page 4 for more details.

The fee covers the investment management services of the managers and consulting and administrative services by MSSB, ongoing monitoring of investment managers, services provided by the client’s Financial Advisor or Private Wealth Advisor (including periodic reviews of the client’s account), reporting, execution of transactions with or through MSSB, and custody of securities by MSSB. The fee does not cover commissions on transactions directed to broker-dealers other than MSSB or its affiliates, any MSSB account establishment or maintenance fees for its Individual Retirement Accounts (“IRA”) and Versatile Investment Plans (“VIP”), which are set forth in the respective IRA and VIP account and fee documentation (which may change from time to time), and other additional charges and expenses, as described under “*General Information About the Morgan Stanley Smith Barney Consulting Programs*.”

**Payments to Investment Managers.** MSSB will, on the client’s behalf, pay a portion of the fee received from the client to the selected investment manager(s) for the investment manager’s services to the client, calculated on the value of assets in the client’s account that the investment manager manages. The annualized fee (in basis points) paid to the investment manager depends on the strategy as follows:

Domestic Equity and Balanced strategies (except Small Cap and Mid Cap)	38 bps
International, Global and Global Balanced Small Cap and Mid Cap Equity strategies	40 bps
First \$250 Million	43 bps
All assets over \$250 Million	38 bps
Convertible Securities strategies	38 bps
Index Equity strategies	25 bps
High Yield Fixed Income strategies	38 bps
All Other Fixed Income strategies	25 bps

These amounts may be changed from time to time without notice to clients.

Effective April 1, 2010, in the case of equity (except index equity) and balanced accounts, MSSB will segregate 0.47% of the fee which is charged to clients, or in the case of fixed income and index equity accounts 0.32% of the fee, and apply all or a portion of it to the asset-based fee paid to investment managers. When MSSB’s payment to an investment manager is less than the segregated amount (0.47% or 0.32% respectively), MSSB will retain a larger portion of the fee charged to clients. Thus, MSSB has an incentive to recommend investment managers that

are paid less, because it retains a higher fee. If MSSB's payment is greater than the segregated amount, MSSB supports the fee to the investment manager and in effect retains a lesser portion of the fee charged to clients.

No portion of the segregated amount will be paid to Financial Advisors or Private Wealth Advisors, who therefore will have no direct financial incentive to recommend one manager firm over another manager firm that offers the same type of strategy. However, Financial Advisors' and Private Wealth Advisors' compensation is directly affected by the size of the client's annual fee. These changes to fee methodology will not alter the overall amount that you pay with respect to your Access account(s).

**Changes to Investment Managers.** Investment managers render advisory services to Access clients pursuant to an agreement between MSSB and the manager. The investment manager's agreement with MSSB may be terminated by MSSB for any reason, effective upon the manager's receipt of written notice from MSSB. Managers may terminate the agreement, or their services to one or more clients, for any reason, generally upon 30 days' notice to MSSB; however, the investment manager generally must provide investment management services to all terminated accounts until completion of the final business day of a calendar quarter or, if such notice is received within the last 30 days of a calendar quarter, of the next quarter. Investment managers generally agree to cooperate reasonably with MSSB to enable MSSB to service client accounts after termination.

If a client's investment manager is terminated from Access, the client may select a new manager for the account. The replacement of an investment manager may result in sales of securities and cause the client to incur additional income tax obligations.

A client may change an investment manager for any reason by complying with the procedures that MSSB requires for manager changes in the client's account.

## Morgan Stanley Vision

Morgan Stanley Vision offers clients the portfolio management services of affiliated and non-affiliated investment managers, selected and approved by MSSB, in a program that provides consulting, custody, brokerage and performance reporting services. (Qualified clients may also invest in certain alternative investment vehicles on the Alternatives Approved List, which are discussed in the following section "Morgan Stanley Vision – Alternative Investment Vehicles.") Vision clients sign separate agreements with MSSB and each of the selected managers. Clients delegate investment discretion directly to the managers, while MSSB provides consulting, custody, brokerage and administrative services. Certain clients may also elect, subject to approval by MSSB, not to receive all of the services available from MSSB in Vision. Vision clients may open multiple accounts, each managed by one investment manager according to a specific investment style. Investment managers are selected by the client from the Focus List or Approved List.

After receipt of appropriate information from and about the client, MSSB will identify several investment managers deemed suitable for the client and that are available in the Program. Clients may also consider other managers available in the Program, subject to minimum investment requirements. Clients will enter into a separate investment management agreement with each selected manager. The investment managers have the sole authority to manage the account and make all investment decisions, and do so in light of, among other things, the client's investment objectives and requirements (including any restrictions).

The decision to participate in Vision and the selection of the investment manager(s) is made by, and is the responsibility of, the client. The client will enter into a separate agreement with, and pay compensation separately to, the investment manager(s) of his or her choice.

MSSB communicates to a client's investment manager information it receives from the client about material changes in the client's financial situation and any changes that the client wishes to make with respect to the management of the account.

**Account Minimum.** Minimum account sizes are set by each investment manager and may range from \$100,000 to \$5 million or higher.

**Fee.** Clients may choose to compensate MSSB for its services under Vision through directed brokerage or a fee. Each investment manager will charge the client a separate fee for its services, and MSSB will not pay the investment manager any part of the fee or other compensation paid by the client to MSSB.

- **Directed Brokerage:** In certain cases clients may choose to compensate MSSB by directing their investment manager to execute brokerage transactions through MSSB, at brokerage commission rates which are negotiated with the client's Financial Advisor or Private Wealth Advisor. The direction of brokerage transactions to MSSB will be subject to the client's needs, the requirements of best execution and, if applicable, the requirements of ERISA. The directed brokerage option generally replaces the Program fee. In limited cases, subject to approval by MSSB, clients may pay an asset-based or a fixed dollar fee, as described below, and brokerage commissions will be credited against the fee at a negotiated ratio as to the amount of commission income required to offset one dollar of the fee. If the investment manager directs insufficient commissions to MSSB to pay the agreed Program fee in full, the client will be billed for the difference each quarter.
- *MSSB and its affiliates, and the client's Financial Advisor or Private Wealth Advisor, may receive more compensation if a client chooses this option, and will receive more compensation if the Financial Advisor or Private Wealth Advisor recommends investment managers who trade frequently rather than investment managers who trade less frequently. Therefore, MSSB has a conflict of interest when recommending this option. For more information, please see "Directed Brokerage" under "General Information About*

*the Morgan Stanley Smith Barney Consulting Programs” below.*

- **Fee:** Clients may pay an asset-based fee, charged quarterly, that covers the services provided by MSSB. From April 1, 2010, the maximum annual fee rate for MSSB’s services in the Vision program is 2.50%. Subject to this maximum, the fee may be a fixed rate applying to all assets in the account or a schedule of rates applicable to different breakpoints. (See “Breakpoints” on pages 2-3 of this Disclosure Document). Alternatively, in some cases, clients may negotiate an annual fixed dollar amount, paid quarterly.

A client needs to open a separate account for each investment manager selected in Vision. These fees are applied to each of the client’s Vision accounts. The client’s Vision accounts are generally not aggregated with each other or with other Program accounts for purposes of calculating whether the client meets any breakpoint thresholds unless specifically agreed between the client and the Financial Advisor or Private Wealth Advisor. See “Program Fees – Accounts Related for Billing Purposes” on page 4 for more details.

The fee covers consulting and administrative services by MSSB, ongoing monitoring of investment managers, services provided by the client’s Financial Advisor or Private Wealth Advisor, including periodic reviews of the client’s account, reporting, execution of transactions with or through MSSB, and custody of securities by MSSB. **The fee does not cover the investment manager’s fee, which is charged to the client separately by the investment manager pursuant to the client’s contract with the investment manager.** The fee also does not cover commissions on transactions directed to broker-dealers other than MSSB or its affiliates, any MSSB account establishment or maintenance fees for its Individual Retirement Accounts (“IRA”) and Versatile Investment Plans (“VIP”), which are set forth in the respective IRA and VIP account and fee documentation (which may change from time to time), and other additional charges and expenses, as described under “*General Information About the Morgan Stanley Smith Barney Consulting Programs.*”

**Changes to Investment Managers.** If a manager is removed by MSSB from the Program or is otherwise terminated from Vision, clients whose accounts are affected may choose to terminate their agreements with the manager and select a new manager available in the Program. The replacement of an investment manager may result in sales of securities and cause the client to incur additional income tax obligations. If a client chooses to maintain its contract with the manager, the client’s account will become a brokerage account.

If a client decides to terminate an investment manager and/or appoint a replacement manager, the client must advise MSSB of the termination and appointment and comply with the procedures that MSSB and the applicable managers require for manager changes in the client’s account. For any period between the termination of a manager and/or the acceptance of the client by the replacement manager, the client will be responsible for investment of the account assets.

**Termination of Client Agreement.** The client agreement between MSSB and the client may be terminated by either MSSB or the client by five days’ written notice. Upon termination, the client may retain the relationship with the selected investment manager, and it is the client’s sole responsibility, together with any manager retained by the client, to monitor and invest the assets previously held in the account, and MSSB will no longer have any further obligation to act or give advice with respect to those assets.

**Vision III.** Certain clients may wish to obtain MSSB’s services in some ways similar to Vision, but utilize one or more investment managers or investment strategies that are not approved by MSSB for the Vision Program. Typically, such clients will have a pre-existing relationship with that investment manager, and their investment with that manager will be one part of the client’s overall advisory relationship with MSSB. MSSB may accommodate such clients with a service called Morgan Stanley Vision III. Although clients participating in Vision III are not offered the investment manager identification, review, and monitoring services described above, Vision III does offer execution services, custody and basic performance reporting for a client’s account. Investment managers selected by clients in Vision III are not approved by MSSB, and are not monitored and evaluated by MSSB. MSSB reserves the right not to do business with any particular manager.

## **Morgan Stanley Vision – Alternative Investment Vehicles**

Morgan Stanley Vision offers qualified clients the opportunity to invest in alternative investment vehicles, selected and approved by MSSB, in a program that provides consulting and administrative services. Clients sign a Vision agreement with MSSB and also sign documents supplied by each alternative investment vehicle in which they invest (“Selected Investment Product”).

Through the Vision AI Program, MSSB may recommend (1) single manager alternative investment vehicles, (2) investment vehicles that allocate money to other investment funds and/or investment managers/commodity trading advisors who in turn invest in other alternative investment asset classes (“Fund of Funds”); and, (3) investments in feeder funds sponsored by MSSB to invest in specific underlying investment vehicles managed by affiliated and unaffiliated investment advisers chosen by MSSB through the HedgePremier program (“HedgePremier”).

After receipt of appropriate information from and about the client, MSSB will identify several alternative investment vehicles/managers deemed suitable for the client from the Alternatives Approved List. Clients may also consider other alternative investment vehicles on the Alternatives Approved List, subject to eligibility and minimum investment requirements.

The decision to participate in Vision and the selection of any Selected Investment Product is made by, and is the responsibility of, the client. Clients sign separate fund documentation for each Selected Investment Product, and pay compensation separately to the manager of each Selected Investment Product.

Alternative investments have different features and risks from other types of investment products. For example, alternative investment products may place substantial limits on liquidity and the redemption rights of investors, including only permitting withdrawals on a limited periodic basis and with a significant period of notice and may impose early withdrawal fees.

Alternative investment products may also have higher fees (including multiple layers of fees) compared to other types of investments. For more details on these and other features and risks, please carefully read the documentation (including risk disclosures) relating to any Selected Investment Product, as well as your MSSB client agreement.

**Qualified Clients.** To invest in alternative investment vehicles in the Vision program, clients must meet certain eligibility and investment minimums imposed by MSSB. Clients also may be subject to additional investor criteria, such as “accredited investor” under Regulation D of the Securities Act of 1933, as amended, and “qualified purchaser” under the Investment Company Act of 1940, as amended.

**Account Minimum.** Minimum account sizes apply for each alternative investment vehicle and may range from \$100,000 to \$5,000,000 or higher.

**Fee.** Clients pay MSSB an asset-based program fee, charged quarterly, that covers the services provided by MSSB at the maximum annual rate of 2%.

A client needs to open a separate Vision account for each Selected Investment Product. MSSB’s fees are applied to each of the client’s Vision accounts. The client’s Vision accounts are not aggregated with each other or with other Program accounts for purposes of calculating whether the client meets fee billing thresholds, if applicable, unless specifically agreed between the client and the Financial Advisor. See “Program Fees – Accounts Related for Billing Purposes” on page 4 for more details.

The program fee covers consulting and administrative services provided by MSSB, ongoing monitoring of Selected Investment Products, and services provided by the client’s Financial Advisor, including periodic reviews of the client’s account. **The fee does not cover the fees in respect of any Selected Investment Product, which are set out in the fund documentation and deducted from the Selected Investment Product’s pool of assets.** MSSB will not pay to the manager of any Selected Investment Product any part of the fee or other compensation paid by the client to MSSB. The fee also does not cover other additional charges and expenses, as described under “General Information About the Morgan Stanley Smith Barney Consulting Programs.”

**HedgePremier Program Participation Fee:** An affiliate of MSSB, Morgan Stanley HedgePremier GP, LLC, (“Program Manager”) receives a Program Participation Fee from the feeder funds in which the Client’s assets are invested through HedgePremier. As more fully described in the HedgePremier Program Document, the Program Participation Fee is intended to compensate the Program Manager for certain administrative, reporting and other services. For investment made through the Vision program, the Program Manager will receive 0.25% per annum for investments less than \$5,000,000 and 0.15% for

investments in excess of \$5,000,000. The Program Participation Fee payable to the Program Manager is waived for Clients that are Retirement Plans. While you remain in the Vision program, neither MSSB, nor your Financial Adviser, will receive any portion of the Program Participation Fee.

**Changes to Funds of Funds.** When Funds of Funds are removed by MSSB from the Alternatives Approved List or are otherwise terminated from Vision, clients whose accounts are affected may choose to withdraw their assets from the Selected Investment Product (subject to any liquidity restrictions imposed by the Selected Investment Vehicle such as lock-up periods and early withdrawal fees) and invest in a replacement Selected Investment Product on the Alternatives Approved List. The replacement of a Selected Investment Product will result in sales of securities and cause the client to incur additional income tax obligations. If a client chooses to retain the Selected Investment Product, the client’s account will become a brokerage account, and MSSB will no longer monitor that Selected Investment Product. In HedgePremier, removal of an underlying fund from the Alternatives Approved List, may result in the full liquidation of the feeder fund’s investment in the corresponding underlying fund by the Program Manager.

**Valuations.** Valuations used for account statement purposes and billing purposes, and for any performance reports, are obtained from the manager of each Selected Investment Product. These valuations (and any corresponding benchmark index values) may be estimates, may be several weeks old as of the dates MS&Co. produces your account statements/reports and calculates your fees and, in the case of index values, may be based on information from multiple sources. The final performance figures for the applicable period may be higher or lower, and MSSB is under no obligation to provide notice of, or compensation to, clients for any difference in performance.

If you invest in a fund of funds, your account documents may use the HFRI Fund of Funds Composite Index (“FoF Index”) as a benchmark. The FoF Index consists of over 800 domestic and offshore funds of hedge funds that have at least \$50 million under management or have been actively trading for at least 12 months. It is equally weighted on a fund by fund basis and fund assets are reported in USD on a net of fees basis. It is updated three times a month and the current month’s and the prior three months’ values are subject to change. MSSB is not obligated to notify you of any such changes. The FoF Index values are likely to be more up-to-date than the data for the Selected Investment Products for which it is the benchmark. You cannot invest in the FoF Index. For more information see <https://www.hedgefundresearch.com>.

**Contributions and Withdrawals.** You may make contributions and withdrawals only during specified periods. You must notify MSSB of any desired contributions or withdrawals (and, for contributions, contribute the corresponding funds to the account) at least five business days before the deadline set in the Selected Investment Product documentation. Additional restrictions may apply for investments made through HedgePremier.

**Termination of Client Agreement.** The client agreement between MSSB and the client may be terminated by either MSSB or the client by written notice. Upon termination, the

client may retain the Selected Investment Product, in which case the client's account will become a brokerage account and the client will be solely responsible for the decision to remain invested in the Selected Investment Product. If a client chooses to remain invested in a fund through HedgePremier, the client will no longer be eligible for a reduced Program Participation Fee and will automatically become subject to the full Program Participation Fee, in accordance with the terms and conditions of the HedgePremier Subscription Agreement.

**Conflicts of Interest:** MSSB also acts a placement agent for certain Selected Investment Products whereby such investments are available through MSSB on a non-advisory basis. When a Select Investment Product is purchased on a placement basis, different terms and conditions, including different fee arrangements, may apply. For example, when a client invests through HedgePremier on a placement basis, they do not pay an ongoing advisory fee, however, they pay an upfront placement fee and the Program Manager receives an higher Program Participation Fee which is shared with MSSB and its Financial Advisers. A Client investing on an advisory basis may pay higher fees, in the aggregate, than if such investment had been made on a placement basis.

## Morgan Stanley Personal Portfolio

Morgan Stanley Personal Portfolio offers clients the ability to combine multiple investments in a single advisory account. Clients may choose, in consultation with their Financial Advisor or Private Wealth Advisor, from a wide selection of investment options. The investment options in the Personal Portfolio program include (A) investment managers who manage separately managed accounts, and (B) ETFs and mutual funds (collectively, "Funds"). Alternatively, clients can grant MSSB the discretion to select investment options for the client's account in accordance with a model selected by the client ("MSSB Discretionary Model") as discussed below.

In addition, Personal Portfolio offers rebalancing, tax harvesting, custody, brokerage and performance reporting services. Personal Portfolio is designed for clients who are interested in implementing a medium- to long-term investment strategy and wish to combine multiple investments in a single portfolio.

Personal Portfolio offers both managers and Funds that are affiliated with MSSB (subject to certain limitations), in addition to non-affiliated managers and Funds. However, unless you select a MSSB Discretionary Model, MSSB itself does not have discretionary authority over investments in Personal Portfolio accounts.

See "*Selection of Investment Managers and Funds for the Programs*" for details on how managers and Funds are approved for the Personal Portfolio program.

**Program Structure.** Personal Portfolio offers clients the following types of portfolios:

- pre-set, diversified investment allocations (or portfolios) suitable for implementing a medium to long-term investment plan

- a personalized portfolio, created by the client based on the client's preferences, subject to certain limitations as described below and
- MSSB Discretionary Models, in which the client selects a model, and MSSB may in its discretion change the asset allocation and investment options.

If the client elects a personalized portfolio, the client (not MSSB) will determine the initial asset allocation target for the portfolio and will be responsible thereafter for any adjustments to the asset allocation target. The client's Financial Advisor or Private Wealth Advisor may use recommendations of the MSSB Global Investment Committee ("GIC") as a resource in assisting the client in defining a personalized portfolio. If the Financial Advisor or Private Wealth Advisor uses MSSB GIC recommendations in connection with defining a personalized portfolio, there is no guarantee that any portfolio defined will in fact mirror or track MSSB GIC recommendations.

The Program's portfolios consist of investment disciplines (for example, large-cap growth and small-cap equity) among which account assets are allocated. Each discipline is managed by a manager approved by MSSB for the Program, or invested in one of the available Funds. Portfolio disciplines managed by managers will be invested by MSSB according to the managers' instructions.

A Personal Portfolio client may complete an Investor Questionnaire and provide MSSB with other financial information. This information will help identify the client's investment objectives, risk tolerance, and investment time horizon. The client may ask MSSB to present one or more of the Program's pre-set portfolios that are deemed suitable based on the client's investor profile; choose any one of the Program's pre-set portfolios based on the client's preference; create a personalized portfolio based on the client's preferences and any portfolio construction parameters set by MSSB; select a MSSB Discretionary Model deemed suitable based on the client's investor profile; or choose any one of the MSSB Discretionary Models based on the client's preference.

If the client selects a pre-set or personalized portfolio, MSSB will identify for each investment discipline in the portfolio one or more investment options. MSSB will make available to the client information about the identified investment options, to enable the client to select an investment option that the client believes best meets the client's circumstances and investment objectives for each investment discipline in the portfolio. Minimum allocation and investment amount requirements will apply to each discipline in the portfolio and to specific types of investments. Subject to these minimums and other portfolio construction parameters established by MSSB, client may make changes to the client's portfolio, including changing one or more of the managers or Funds in the portfolio, or selecting a new portfolio, at any time.

If a client selects a MSSB Discretionary Model, MSSB will provide the client with information on the current asset allocation and investment options currently in that model. MSSB can change the asset allocation and investment options at any

time in its discretion. There are various types of MSSB Discretionary Models, which vary based on:

- a client's risk tolerance
- whether the model may include SMAs, mutual funds and/or ETFs, only mutual funds, or only ETFs
- whether the client selects a strategic model (focusing on full market cycles and typically adjusted annually) or a tactical model (reflecting shorter term outlooks and adjusted more frequently) and
- whether the client wishes to have alternative-style investments considered for inclusion in the model.

The decision to participate in Personal Portfolio, and the selection of the portfolio and if applicable the investment options, is made by, and is the responsibility of, the client. The client retains MSSB and the managers by executing an agreement with MSSB authorizing MSSB to retain manager(s) and/or purchase Funds on behalf of the client. A manager has no obligation to the client until its acceptance of the client becomes effective. A manager may decline to accept the client for any reason. A manager has the sole authority to manage that part of the account allocated to it.

Upon account inception and funding by the client, MSSB or the manager will invest on the client's behalf account assets in each investment discipline for which the client (or MSSB, if the client selected a MSSB Discretionary Model) selected a manager, according to the managers' model investment portfolios (which may change daily). MSSB will also purchase any Funds selected by the client (or by MSSB, if the client selected a MSSB Discretionary Model).

The managers and Funds available as investment options in Personal Portfolio include affiliates of MSSB. Retirement Plan clients may not select managers or Funds affiliated with MSSB and MSSB Discretionary Models will not include managers or Funds affiliated with MSSB (except, in both cases, for investing cash balances in certain affiliated money market funds listed in Exhibit A to this Disclosure Document), to the extent available. Therefore, the selection of available investment options for Retirement Plan accounts and accounts based on MSSB Discretionary Models will be more limited than for other accounts.

MSSB and its affiliates receive more aggregate compensation if a client selects an investment option that is affiliated with MSSB. Therefore, for clients other than Retirement Plans or clients who selected a MSSB Discretionary Model, MSSB and its employees have a conflict of interest when identifying investment options for client selection. *In addition, a Fund's expense ratios may be higher or lower than the fees paid to managers in the Program. Accordingly, investing in Funds may be costlier than other investment options in the Program.*

MSSB may provide each manager with such information regarding the client as may be reasonably necessary for the manager to fulfill its obligations to the client and to MSSB.

**Account Rebalancing.** Clients with a pre-set or personalized portfolio may select to have the account reviewed and, if necessary, rebalanced, semi-annually or annually.

A client who selects a MSSB Discretionary Model does not select a rebalancing frequency but MSSB may rebalance such an account at any time.

Certain account activities that coincide with an account review may delay the rebalancing process. Certain activities (e.g., changing a portfolio or investment option) may reset any review schedule.

The purpose of the review is to determine if, at the time of the review, any allocation to an investment option deviates from its target by more than a certain percentage as determined by the Program's rebalancing algorithm (currently, 5% of the total value of the client's account) or as otherwise selected by the client. If it is determined, based on the review, that an investment option deviates from its target according to the account's rebalancing parameters, the account will be restored close to its targeted allocations by transferring cash and/or securities from one investment option to another, or by purchasing and/or selling securities (including interests in the Funds). Rebalancing of non-Retirement Plan accounts will be subject to tax efficiency considerations, including the number of trades and realization of gains and losses, so that the investment options in the rebalanced account may differ from their target percentages. The sale of securities as a result of rebalancing may give rise to a taxable gain or loss for that year.

**Account Additions and Withdrawals.** Since a Personal Portfolio account contains multiple investment options, additions to and withdrawals from the account will be allocated in a manner that is aimed to reduce variances from the target account allocation.

**Tax Harvesting and Tax Considerations.** Clients with non-Retirement Plan accounts may decide to realize tax losses or taxable gains in their account and direct MSSB accordingly. In order to realize tax losses or gains, MSSB employs mathematical algorithms to apply the managers' models to the client's account, and may also buy and sell Funds. Managers in Personal Portfolio are permitted to determine whether to allow tax harvesting in the accounts they manage, and if they permit it, they must also specify tolerances (i.e., the percentage of the discipline managed subject to tax harvesting). They may also, for example, set dollar minimums for tax harvesting transactions. Tax harvesting may adversely affect the account's performance and cause it not to track the performance of the managers' investment disciplines.

MSSB will monitor taxable accounts for, and prevent, transactions that cause clients to forfeit tax-loss due to the wash sale rule, which disallows claiming losses on the sale of a security if a substantially identical security is bought within 30 days before or after the sale. Thus, purchases of securities which would otherwise take place could be blocked by MSSB. The wash sale block will be enforced with respect to each taxable account for 30 days from the time of the triggering sale across all managers in the account (not including positions held by Funds). After the 30-day blocking period, the security may be



purchased again for the account. The enforcement of this wash sale blocking may prevent a client's account from owning certain securities for the duration of the blocking period, and may cause the performance of a client's account to differ from that of similarly managed accounts.

Investments in Funds that hold exclusively physical assets, such as gold bullion, will be treated for U.S. federal income tax purposes as if investors directly owned a pro rata share of the underlying assets held in the Fund, and as if they directly received their respective pro rata shares of the Fund's income. Accordingly, tax treatment will be consistent with the ownership of a collectible rather than a financial security. Currently, gains recognized by individuals from the sale of collectibles held for more than one year are taxed at a maximum rate of 28% rather than the current 15% rate applicable to most other long term capital gains. This tax treatment differs from that of most mutual funds and ETFs. In addition, there are special tax considerations for investors in Retirement Plan accounts. Clients should read the prospectus before investing in these Funds and consult their tax advisors regarding the possible implications of this tax treatment.\*

**Changes to Investment Options in the Program.** Managers render advisory services to Personal Portfolio clients pursuant to an agreement between MSSB and the manager. The manager agreement may be terminated by MSSB for any reason, effective upon the manager's receipt of written notice from MSSB. A client may terminate the services of a manager in a pre-set or personalized portfolio by execution of documentation deemed acceptable by MSSB. A manager may terminate the agreement with MSSB or its services to one or more clients for any reason, generally upon at least 90 days' prior written notice to MSSB. However, regardless of who terminates the agreement, the manager generally must (at MSSB's request) provide investment management services to all terminated accounts until completion of the final business day of calendar quarter following the end of the calendar quarter in which the termination notice was effective. Thereafter, the manager will generally cooperate in any reasonable manner necessary for MSSB to service client accounts otherwise than through the manager for up to 30 days, or for a longer period, if reasonably necessary for MSSB to service the client. The replacement of a manager may result in sales of securities and may cause the client to incur additional income tax obligations. MSSB may also terminate the participation of any Fund in the Program; and it is possible that Funds could terminate their participation in the Program.

If buying shares in a new Fund, MSSB's estimate of the price of those shares is the previous day's net asset value (NAV). MSSB applies a small cushion to minimize any debits in your account that may occur if the Fund share price rises on the date of purchase, and to cover fees quarterly fees payable on the account. Any residual cash will remain in your account.

If a manager or Fund is terminated from Personal Portfolio by MSSB, or if a manager or Fund terminates its services to an

account, or is reclassified into a different investment discipline, it will need to be replaced. Program accounts may not purchase or hold managers or Funds other than those offered through the Program at any time. This is effected as follows:

- For clients with a pre-set or personalized portfolio, MSSB will notify the client and ask the client to select a new investment option. MSSB's notice will identify an appropriate replacement investment option selected by MSSB through an objective selection process from those available in the Program. The investment option identified by MSSB will not be affiliated with MSSB. If the client does not select a new investment option within the time frame prescribed in the notice, the client will be deemed to have instructed MSSB to appoint the replacement manager, or purchase the replacement Fund identified by MSSB, and to liquidate any terminated Fund.
- For clients with a MSSB Discretionary Portfolio, MSSB will replace the terminated manager or Fund with another manager or Fund.

*It may take MSSB several business days to process changes to your investment options or your asset allocation; in the meantime, the account may remain invested in the existing investment options and asset allocation and may not be actively managed. The account will continue to be charged the fee during this period. Once the changes are processed, the account's rebalancing schedule is reset.*

If (a) the amount invested with a manager or a Fund, or in an asset allocation, in a client's account falls below the minimum for that manager/Fund or allocation (due to rebalancing, market activity or any other reason) or (b) a manager elects to terminate its investment advisory relationship with the client, MSSB may (without further consent from the client) transfer the client's assets to another appropriate manager/Fund or asset allocation, which manager/Fund or asset allocation has a minimum investment for which the account qualifies.

**Account Minimum.** The account minimum for Personal Portfolio accounts generally starts at \$50,000. The minimum is \$25,000 if you select a MSSB Discretionary Model with mutual funds only or ETFs only, or \$500,000 if you select a MSSB Discretionary Model which can hold separately managed accounts, mutual funds and/or ETFs. However, the minimum varies depending on the portfolio and specific managers and Funds in your portfolio.

**Program Fees and Costs.** Clients pay separately for the services provided by MSSB, and for investment management services provided by managers and Funds. The cost to clients of participating in the Program includes:

- **MSSB Advisory Fee:** An asset-based fee, at a maximum annual rate of 2%, paid to MSSB that covers the services provided by MSSB (other than the services covered by the Program Overlay Fee) and is charged quarterly to the account. It covers consulting and other services provided by MSSB, ongoing monitoring of managers and Funds, services provided by the client's Financial Advisor or Private Wealth Advisor (including periodic reviews of the client's account),

\*MSSB does not render advice on tax and tax accounting matters to clients. This material was not intended or written to be used, and it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer under U.S. federal tax laws.

reporting, execution of transactions with or through MSSB, and custody of securities by MSSB. The fee does not cover commissions on transactions directed to broker-dealers other than MSSB or its affiliates, any MSSB account establishment or maintenance fees for its Individual Retirement Accounts (“IRA”) and Versatile Investment Plans (“VIP”), which are set forth in the respective IRA and VIP account and fee documentation (which may change from time to time), and other additional charges and expenses, as described under *“General Information About the Morgan Stanley Smith Barney Consulting Programs”*.

- **Program Overlay Fee:** This is retained by MSSB and is equal to 0.12% per year, regardless of your managers and Funds. It covers MSSB’s overlay manager services such as trade implementation and execution; processing contributions, withdrawals and terminations; effecting cash sweeps; rebalancing; and implementing client restrictions.
- **SMA Manager Fees:** The cost of the investment management services provided by the managers. Each manager is paid an asset-based fee for portions of the account managed by it. The manager’s fee is charged to the account quarterly, paid by MSSB (for the client) to the manager, and included in the fee amount shown in the account statements. In each asset class, managers have the flexibility to set their fee within a certain range. Therefore, fees for managers in a particular asset class may vary. If you would like more information on the range of fees, or the fees charged by particular managers, please ask your Financial Advisor or Private Wealth Advisor.

Additional charges and expenses may apply to the account from time to time, as further described below.

Subject to the 2% maximum, the MSSB Advisory Fee may be a fixed rate applying to all assets in the account or a schedule of rates applicable to different breakpoints. (See “Breakpoints” on pages 2-3 of this Disclosure Document.) A client’s Personal Portfolio account is generally not aggregated with any other Program account (including any other Personal Portfolio account held by the client) for purposes of calculating whether the client meets any breakpoint thresholds unless specifically agreed between the client and the Financial Advisor or Private Wealth Advisor. See “Program Fees – Accounts Related for Billing Purposes” on page 4 for more details. When a Personal Portfolio account is related for fee billing purposes to another advisory account, and vice versa, only the MSSB Advisory Fee (not the Program Overlay Fee or SMA Manager Fees) is taken into account in calculating any discount that results from relating accounts.

Funds charge their fees and expenses directly to the assets invested in their shares. Fund fees and expenses are not charged to the account and are not included in the fee amount shown on the client agreement or in account statements.

**Payment of Fees.** Fees deducted from the Program accounts (MSSB Advisory Fee, Program Overlay Fee and SMA Manager fees) are charged quarterly, according to a quarterly billing cycle that is agreed to between the client and MSSB. The fees are deducted to the extent possible from cash or cash sweep balances in the account. If there is insufficient cash or cash sweep funds in the account, MSSB will liquidate a portion of the account assets to cover the fee. The Fees are deducted from all

the investment disciplines in the account pro rata according to the then-current portfolio allocations to the investment options, which may differ from the portfolio’s targeted allocations.

## Morgan Stanley Fund Solution

Morgan Stanley Fund Solution (“Fund Solution”) is a mutual fund asset allocation program that offers clients a wide selection of strategic asset allocations and mutual fund investment options, as well as optional features such as systematic rebalancing of Program accounts. Fund Solution clients retain investment discretion over their accounts.

Fund Solution clients can choose from among affiliated mutual funds and money market funds which are managed by affiliates of MSSB (including Morgan Stanley Investment Advisors Inc. and Morgan Stanley Investment Management Inc.) and unaffiliated mutual funds. Mutual fund shares purchased through the Program are not subject to any sales charges (or “loads”).

As part of the account opening process, a client will complete an Investor Questionnaire that serves to identify the client’s investment objectives, risk tolerance, and investment time horizon. Based on the client’s responses to the Questionnaire, MSSB will determine the investment profile of the client, and provide the client with a suggested allocation of the client’s assets among the Program’s asset categories. Fund Solution offers suggested allocations for various investor profiles, based on data provided by a third party. The suggested allocations are reviewed and updated periodically, in response to changes in the capital markets. Clients may accept the suggested allocation for their accounts (or accept only the equity portion of the suggested allocation), or create an account allocation based on their preferences. If a client accepts the suggested allocation (or equity portion of it), any subsequent updates to the suggested allocation corresponding to that client’s investor profile will automatically become the then-current target allocation for the account.

After the allocation is selected, MSSB will help the client identify appropriate mutual funds for each category in the allocation. Clients must select at least one mutual fund for each asset category in the account allocation. Program accounts may not purchase or hold assets other than mutual funds offered through the Program. Availability of mutual funds through the Program is subject to change by MSSB.

The decision to participate in Fund Solution and the selection of the mutual funds is made by, and is the responsibility of, the client. Fund Solution is not necessarily suitable for all clients seeking to build and invest in a portfolio of mutual funds. Before enrolling in Fund Solution, clients should discuss with their Financial Advisors whether alternative programs and investments may be more appropriate given their individual goals and objectives.

MSSB may impose minimum and maximum requirements for the number of funds in each asset category and the account as a whole.

There is no assurance that the mutual funds will perform in any particular manner. Past performance of any mutual fund or asset

class is no guarantee of future performance. Clients should carefully read the prospectus of each mutual fund before they invest.

The managers of the mutual funds that MSSB selects to participate in the Program 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.

**Account Rebalancing.** Clients may choose to have their accounts automatically reviewed for rebalancing quarterly and, if needed, rebalanced. For clients who accepted the suggested allocation, the rebalancing will be effected against the then-current suggested allocation. Any future updates to the suggested allocation corresponding to the client's investor profile will become the new target allocation for the next scheduled quarterly rebalancing, and will be reflected in the account's next quarterly report. A rebalancing to the updated suggested allocation may involve the addition or removal of asset categories, which may require the sale of a mutual fund and/or the selection of one or more new mutual funds for the account. For clients who created an account allocation based on their preferences, the rebalancing will be effected against their selected account allocation.

Automatic rebalancing will be performed only when any asset category (as reflected in the values of mutual fund holdings in that category on the day the account is reviewed) deviates from the target allocation by more than 5% of the value of the account. Account rebalancing will be accomplished by buying and selling shares of mutual funds as needed until no asset category deviates from the target allocation by more than 5% of the value of the account. Rebalancing may cause a taxable event, and clients should consult their tax advisor.

Regardless of whether a client chooses to have automatic rebalancing, the client may direct MSSB to rebalance the account at any time. Clients may also direct MSSB to add or remove automatic rebalancing to their accounts (subject to eligibility and under the terms and conditions set forth above) by executing and delivering to MSSB the appropriate documentation. Client trades in mutual funds outside of automatic rebalancing may be subject to short-term redemption fees as set forth in the selected mutual fund's prospectus. Clients who do not elect automatic rebalancing should consider whether an alternative such as a commission based account might be more cost-effective than Fund Solution.

**Funding the Account with Existing Mutual Fund Holdings.** Clients are permitted to fund their Fund Solution accounts with eligible shares of mutual funds that are offered for purchase in the Program. To the extent such shares are not offered for purchase in Fund Solution, they will need to be sold and the proceeds invested according to the account's investment plan. Depending upon the class of shares used to fund the account, clients will not recover any front-end fees previously paid and/or you may be subject to a contingent deferred sales charge. In

liquidating existing positions, whether of mutual funds or other securities, clients may incur tax consequences.

**Additions and Withdrawals to the Account.** Clients may invest additional funds in their accounts from time to time. For clients who accepted the suggested allocation, additions will be invested and withdrawals made in accordance with the then-current suggested allocation in a manner that is aimed to minimize variances from the suggested allocation. For clients who created an account allocation and selected automatic rebalancing, absent instructions from the client, additions will be invested and withdrawals made in accordance with the client selected account allocation, in a manner that is aimed to minimize variances from the selected allocation. For clients who created an account allocation and did not select automatic rebalancing, additions will be invested and withdrawals made based on client instructions, and, in the absence of instructions, will be maintained as cash balances in the account and invested in the sweep investment.

Clients must inform MSSB of a request for withdrawal and subsequent redemption three business days prior to the date such withdrawal is to be made, or another date as may be necessary to ensure that cash is available in the account on the date the withdrawal is to be made. Redemption proceeds will be deposited in the account and not automatically forwarded to clients. In the event that a redemption causes account assets to be reduced below \$5,000, MSSB shall have the right to terminate the account. If a client withdraws from or deposits to an account cash or securities with a value equal to or greater than \$5,000 in a single transaction, the fee payment for the remainder of the applicable billing period will be adjusted on a pro rata basis to reflect the withdrawal or deposit, and will be credited or due two business days from the date of the withdrawal or deposit. No fee adjustment will be made during any billing period for withdrawals or deposits of less than \$5,000 in a single transaction during a billing period. No fee adjustment will be made during any billing period for appreciation or depreciation in the value of account assets during that period.

**Changes to Mutual Funds in the Program.** MSSB may add or remove mutual funds from the Program in its discretion. MSSB reviews mutual funds, fund managers, and fund companies on an ongoing basis to determine whether funds should remain eligible for participation in Fund Solution. MSSB may determine to terminate a fund from the Program if in MSSB's judgment a change in the fund company's organization (such as personnel turnover) or a change in investment strategy or process is so material that it is likely to affect the fund's performance or its ability to provide the investment style for which it was originally selected. Mutual funds may also determine to discontinue offering their shares through the Program or elect to change the share class offered in the Program.

At times, including as a result of a rebalancing to the current suggested allocation, an addition to the account, an investment discipline reclassification, or the termination from the Program of a mutual fund held in the account, clients may be required to select a new or a replacement mutual fund for each affected asset category in the account allocation. MSSB will notify the client and ask the client to select a new mutual fund. MSSB's notice will identify an appropriate replacement mutual fund selected by MSSB through an objective selection process from those

available in the Program (which may include both affiliated and unaffiliated mutual funds as potential default investments). If the client does not select a new mutual fund within the time frame prescribed in the notice, the client will be deemed to have instructed MSSB to purchase the replacement mutual fund identified by MSSB and liquidate any existing terminated mutual fund. Liquidation may cause a taxable event and clients should consult their tax advisors. Liquidation may also result in additional costs and charges, as described under “*General Information About the Morgan Stanley Smith Barney Consulting Programs.*” Program accounts may not purchase or hold mutual funds other than those offered through the Program at any time.

In November 2008, the Fund Solution Program was expanded to include affiliated mutual funds. Clients in MS&Co.’s former affiliated-only mutual fund advisory program, Morgan Stanley Funds Portfolio Architect<sup>SM</sup> were converted to the Fund Solution Program. These converted clients were permitted to retain and may invest further in any affiliated mutual fund they previously held in Portfolio Architect. These retained shares may be subject to fewer fund expenses (e.g., no distribution fee) than the shares of mutual funds that are available in Fund Solution. These retained shares will not be made available to any clients other than converted clients who hold them.

**Fund Prospectuses and Profiles.** To assist clients in selecting funds, MSSB can provide profiles for each mutual 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 Number of Funds, Cash Allocations and Trading.** The Program imposes limitations with respect to the minimum and maximum number of investment disciplines, and fund positions in each discipline, allowed in Program accounts, to optimize the services that clients receive in relation to the aggregate fees paid. To fully realize the benefits of the Program services, including due diligence and monitoring of participating funds, asset allocation, and reporting, accounts should generally allocate assets to at least three investment disciplines (in addition to cash) and hold not more than three funds in each discipline. Clients should take into account that, if they qualify for discounts or a waiver of sales charges outside the Program, and do not use the automatic features offered in the Program, purchasing funds in a commission-based account may be a more cost-effective way of investing. Fund Solution is not intended for clients who wish to maintain high level of cash or cash equivalents in the account.

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. Additionally, clients who engage in short-term trading outside of systematic rebalancing may be subject to short-term

redemption fees as set forth in the selected mutual fund’s prospectus.

If buying shares in a new mutual fund, MSSB’s estimate of the price of those shares is the previous day’s net asset value (NAV). MSSB applies a small cushion to minimize any debits in the client’s account that may occur if the fund share price rises on the date of purchase. Any residual cash will remain in the client’s account.

**Account Minimums.** The minimum initial amount of assets for an account is \$10,000. In the event that a withdrawal causes assets to be reduced below \$5,000, MSSB shall have the right to terminate the client’s participation in the Program.

**Fee.** Clients pay a single asset-based fee, charged quarterly, that covers the services provided by MSSB. The maximum “Gross Program Fee” rate is 2%. The Gross Program Fee rate is subject to an off-set that reduces the “Effective Fee” paid by the client by 0.50% per year (and possibly more for Retirement Plan accounts), as explained below. Thus the maximum net effective fee is 1.50%. Subject to the maximum, the fee may be a fixed rate applying to all assets in the account or a schedule of rates applicable to different breakpoints. (See “Breakpoints” on pages 2-3 of this Disclosure Document.)

A client’s Fund Solution account is generally not aggregated with any other Program account (including any other Fund Solution account held by the client) for purposes of calculating whether the client meets any breakpoint thresholds unless specifically agreed between the client and the Financial Advisor. See “Program Fees – Accounts Related for Billing Purposes” on page 4 for more details. Shares of a mutual fund held in the account may be aggregated with purchases outside the Program of the same mutual fund or fund family, as part of each mutual fund’s rights of accumulation provisions. Please refer to each mutual fund’s prospectus for more information.

The fee covers: consulting and administrative services by MSSB, ongoing monitoring of mutual funds, services provided by the client’s Financial Advisor (including periodic reviews of the client’s account), reporting, execution of transactions with or through MSSB, and custody of securities by MSSB. The fee does not cover any MSSB account establishment or maintenance fees for its Individual Retirement Accounts (“IRA”) and Versatile Investment Plans (“VIP”), which are set forth in the respective IRA and VIP account and fee documentation (which may change from time to time), account closing or transfer fees, redemption or short-term trading fees, and other additional charges and expenses, as described under “*General Information About the Morgan Stanley Smith Barney Consulting Programs.*”

*Unless specifically noted in the “Additional Revenue to MSSB and its Affiliates; The Off-Set,” below, the Effective Fee does not cover the underlying fees and expenses of the mutual funds and money market funds, as set forth in their prospectuses. Mutual fund fees vary depending on the mutual fund and are in addition to the Fund Solution Effective Fee. A client’s investment return will be reduced by the mutual fund fees and expenses. Certain of the mutual funds in the Program charge a short-term trading or redemption fee which is waived for systematic rebalancing transactions; however the fee may be*

*applied by the funds for redemption activity that is not part of the systematic rebalancing.*

*Each fund's expense ratio (the total amount of fees and expenses charged by a fund) is set forth in its prospectus. The expense ratio stated in a fund's prospectus generally reflects the costs incurred by fund's shareholders during its most recent fiscal reporting period. Current and future expenses may differ.*

*Clients are generally able to purchase funds in the open market or from other firms without incurring the Program fees, but may have to pay sales charges on these purchases.*

The fee is charged quarterly, in advance, according to a quarterly cycle agreed to with the client, based on the value of assets in the account, including allocations to cash. The initial fee will cover the period from the opening of the account through the last day of the initial quarter. Thereafter, the quarterly fee will be based on the value of the assets in the account on the last business day of the previous billing quarter and will be payable on the tenth business day of the current billing quarter.

MSSB will deduct the Fund Solution fee and any and all other charges from the account on or following the date they are payable, by debiting any cash balance or sweep investment in the account. If there are insufficient funds available to pay the fee, a debit balance will remain in the client's account until satisfied.

The fee may be higher or lower than the fees that MSSB would charge a client if the client had purchased the services covered by the Fund Solution fee separately (i.e., not through Fund Solution), and may be higher or lower than the cost of similar services offered through other financial firms.

Clients would not be obligated to pay the Fund Solution fee if the clients were to purchase the fund shares through their Financial Advisor outside of Fund Solution or directly from the mutual fund, rather than through Fund Solution. Some mutual funds are offered generally to the public without a sales charge; however, other funds are offered generally to the public with a sales charge (as described in the fund prospectus) that may be more or less than the Fund Solution fee.

#### **Additional Revenue to MSSB and its Affiliates; The Off-Set.**

MSSB and/or its affiliates receive fees from non-affiliated and affiliated funds, including the affiliated money market funds, participating in Fund Solution. From the funds (and/or their sponsors, investment managers or other service providers) MSSB and/or its affiliates may receive "shareholder servicing fees" or "distribution fees" at an annual rate of up to 0.25% per year. These fees are paid by the funds for shareholder and account maintenance services and/or distribution related services provided by MSSB and its affiliates to clients who invest in the funds through the Program. Some or all of these services for which MSSB and/or its affiliates are paid by the funds, are also provided by MSSB and its affiliates as part of the Program, and are covered by the fee paid by the client. MSSB and/or its affiliates also receive recordkeeping and sub-transfer agency fees (which include shareholder sub-accounting and/or networking fees) in an amount generally ranging from \$13 to \$17 per fund, but which may be up to \$19 in an account per year

(or at the annual rate of 0.10% of the value of funds shares held in the account for Retirement Plan accounts), for recordkeeping and sub-transfer agency services to the funds or their service providers.

MSSB and/or its affiliates may also receive "revenue sharing" payments from the non-affiliated and affiliated mutual funds' investment managers at an annual rate of up to 0.12% of the amount of account assets invested in these mutual funds in exchange for the opportunity for the mutual funds to offer their shares to MSSB clients. These payments are not collected for assets in Retirement Plan accounts in Fund Solution.

MSSB and/or its affiliates also receive investment management and related administrative fees from the affiliated mutual funds where the funds' investment adviser is a MSSB affiliate.

MSSB and/or its affiliates may receive other types and amounts of payments from the mutual funds and their investment managers and other service providers, which are attributable to fund positions held outside of the Program.

More information on the payment arrangements between MSSB and its affiliates, and the affiliated and non-affiliated funds, can be found on our website at <http://www.morganstanleyindividual.com/OurCommitment/billofrights.asp>.

In order to address potential conflicts of interest arising from the receipt by MSSB and/or its affiliates of additional revenues from the non-affiliated and affiliated mutual funds, as described above, the client's account will receive a quarterly offset of 0.125% (0.50% on an annual basis) against the Gross Program fee rate as provided in the fee schedule in the Fund Solution client agreement. This reduction is intended to offset, in whole or part, additional revenues received by MSSB and/or its affiliates from funds participating in the Program. Retirement Plan accounts will receive an off-set of the higher of 0.50% annually or the full amount of the actual additional revenues (e.g., the shareholder services, investment management, and other fees described above) that are received by MSSB and/or its affiliates. With respect to non-Retirement Plan accounts, to the extent the additional revenues exceed the off-set of 0.50% annually, the excess will be retained by MSSB and/or its affiliates as additional income.

**Termination of Client Agreement.** The client agreement between MSSB and the client may be terminated by either MSSB or the client on five days' written notice. If MSSB materially changes the client agreement (other than reducing the fee) or increases the fee, the client may immediately terminate the agreement upon written notice. Upon termination, MSSB may cause the redemption of all shares in funds held in the account, which may have tax consequences for taxable accounts. Cash proceeds of redemptions will be deposited in your account and not automatically forwarded to you. Upon termination, it is the client's sole responsibility to monitor the assets previously held in the account, and MSSB will have no further obligation to act or give advice with respect to those assets.

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.

## Institutional Consulting Group

The Institutional Consulting Group Program (“ICG”) offers clients who qualify for participation in the Program a variety of services, including assistance in reviewing and/or developing a written statement of investment objectives, policies and guidelines, development of a long-term asset allocation policy, identification and ongoing due diligence of investment managers and quarterly performance reporting, and custody as desired by a client. ICG assets are generally individually managed by one or more investment managers selected by the client, often from managers on the Focus List or Approved List.

If desired by the client, after receipt of appropriate information from and about the client, MSSB will identify several investment managers and/or mutual funds deemed suitable for the client from among those on the Focus List or Approved List and provide the client with descriptive information with respect to such managers or funds. The decision to participate in ICG and the selection of the investment manager and/or mutual fund is made by, and is solely the responsibility of, the client.

ICG fees generally cover consulting and administrative services by MSSB, ongoing monitoring of investment managers on the Focus List or Approved List, services provided by the client’s Financial Advisor (including periodic reviews of the client’s account), reporting, execution of transactions with or through MSSB, and custody of securities by MSSB. The fees do not cover: (i) the investment managers’ fees, which are charged to the client separately by the investment managers pursuant to the client’s contracts with the investment managers; (ii) the fees and expenses of other investment products, such as mutual funds, selected by the client; and (iii) due diligence of investment managers and other investment products not on the Focus List or Approved List. The fees also do not cover certain costs as described under “General Information About the Morgan Stanley Smith Barney Consulting Programs.” Due to the nature of many ICG clients, from time to time, MSSB may agree to provide customized services to a client.

For example, certain clients may elect not to receive all of the services available under ICG. MSSB may also agree to identify investment managers and other investments products, including alternative investment vehicles, which are not included in the Focus List or Approved List, and for which MSSB may or may not provide due diligence and ongoing monitoring services. MSSB, at its discretion, may adjust the client’s pricing to reflect the reduced level of services.

The client usually executes an agreement with MSSB and a separate investment management agreement with each investment manager, and opens a separate ICG account for each investment manager. Given the nature of the clients in ICG, the client agreement (including the fee schedule, if any) will often be customized for the specific needs of clients. The fee for each manager will be separate and in addition to the fee paid by the client to MSSB under the client agreement. The client must

promptly advise MSSB of all investment managers selected, terminated and replaced.

Although certain firms that are affiliated with MSSB may participate in ICG as investment managers, MSSB itself does not provide asset management services in ICG and does not have discretionary authority over ICG accounts or assets. Retirement Plan clients generally may not select investment managers and mutual funds affiliated with MSSB (except for certain affiliated money market funds listed in Exhibit A to this Disclosure Document).

**Account Minimum.** Minimum account sizes are set by each investment manager participating in the Program.

**Fee.** ICG clients may choose to compensate MSSB for its services under ICG through directed brokerage, asset-based fee of a fixed dollar fee. Each investment manager will charge the client a separate fee for its services, and MSSB will not pay the investment manager any part of the fee or other compensation paid by the client to MSSB.

- **Directed Brokerage.** In certain cases clients may choose to compensate MSSB by directing their investment manager to execute brokerage transactions through MSSB at brokerage commission rates which are negotiated with the client’s Financial Advisor. The direction of brokerage transactions to MSSB will be subject to the client’s needs, the requirements of best execution and, if applicable, the requirements of ERISA. The directed brokerage option generally replaces the Program fee. In limited cases, subject to approval by MSSB, clients may pay an asset-based or a fixed dollar fee, as described below, and brokerage commissions will be credited against the fee at a negotiated ratio as to the amount of commission income required to offset one dollar of the fee. If the investment manager directs insufficient commissions to MSSB, to pay the agreed Program fee in full, the client will be billed for the difference each quarter.

*MSSB and its affiliates, and the client’s Financial Advisor, may receive more compensation if a client chooses this option, and will receive more compensation if the Financial Advisor recommends investment managers who trade frequently rather than investment managers who trade less frequently. Therefore, MSSB has a conflict of interest when recommending this option. For more information, please see “Directed Brokerage” under “General Information About the Morgan Stanley Smith Barney Consulting Programs” below.*

- **Asset-Based Fee.** Clients may pay an asset-based fee, charged quarterly, that covers the services provided by MSSB. The maximum annual fee rate for MSSB’s services in the ICG program is 1.35%. Subject to this maximum, the fee may be a fixed rate applying to all assets or in the account or a schedule of rates applicable to different breakpoints. These fees are applied separately to each of the client’s ICG accounts. The client’s ICG accounts are generally not aggregated with each other or with other Program accounts for purposes of calculating whether the client meets these thresholds unless specifically agreed between the client and

the Financial Advisor. See “Program Fees – Accounts Related for Billing Purposes” on page 4 for more details.

- **Fixed Dollar Fee.** MSSB has two levels of fixed dollar fees. They are
  - a) **First Level** — Per year: \$10,000 plus \$7,500 per manager, plus \$2,500 for an aggregate performance report. Minimum fee is \$30,000.
  - b) **Second Level** — (additional analytics) Per year: \$10,000 plus \$12,500 per manager, plus \$5,000 for an aggregate performance report. Minimum fee is \$35,000.The fixed dollar fee typically does not cover custody or execution of transactions.

**Changes to Investment Managers.** If a manager is downgraded by CG IAR to Not Approved, MSSB may recommend to clients whose accounts are affected by the removal to terminate their agreements with the manager. Clients may accept or decline MSSB’s recommendation. However, MSSB will no longer perform due diligence services with respect to removed managers. Depending on the client’s contract with MSSB, client may continue to pay the ICG fees with respect to assets managed by the terminated manager, as long as the client has an ICG account.

If a client decides to terminate an investment manager and appoint a replacement manager, the client must advise MSSB of the termination and appointment. For any period between the termination of a manager and the acceptance of the client by the replacement manager, the client will be responsible for investment of the account assets.

**Termination of Client Agreement.** The client agreement may be terminated by either MSSB or the client by written notice. Upon termination, the client may retain the relationship with the selected investment managers, and it is the client’s sole responsibility, together with any manager retained by the client, to monitor and invest the assets previously subject to the client agreement, and MSSB will no longer have any further obligation to act or give advice with respect to those assets.

## Morgan Stanley Advisory

The Morgan Stanley Advisory program (“Morgan Stanley Advisory”) is a nondiscretionary investment advisory program where eligible Financial Advisors provide advice on Program eligible assets while clients retain the authority to make the investment decisions. MSSB has created and implements investment guidelines within which all approved Financial Advisors must operate with respect to Program accounts. It also provides Financial Advisors in the Program with portfolio management and trade execution tools designed to enable them to operate more efficiently.

MSSB provides performance report for Morgan Stanley Advisory accounts. (See “Account Reports” in Section IV below.) In addition, MSSB has the ability to provide performance measurement services to Morgan Stanley Advisory clients upon request. These reports provide clients with tabular and graphic displays of account performance to inform clients as to how their Morgan Stanley Advisory account investments have

performed over a defined period, both on an absolute basis and on a relative basis compared to recognized indices, such as Standard & Poor’s indices.

**Account Opening.** As part of the account opening process, Financial Advisors will assist clients in completing an Investor Questionnaire, identifying the client’s investment objectives, risk tolerance, and investment time horizon. The client will generally be required to execute the Morgan Stanley Advisory Client Service Agreement.

**Investment Process.** Program accounts are managed on a nondiscretionary basis in light of information provided by the client regarding his or her investment objectives and financial situation. The client’s Financial Advisor is primarily responsible for making recommendations for the client’s account within the broad parameters established by the Program’s investment guidelines. The guidelines determine the number and types of securities eligible for investment in a Program account and certain diversification requirements. Clients should consult their Financial Advisors for more information regarding the Program’s investment guidelines, the Financial Advisor’s approach to investing, and investment strategies.

Depending on the investment strategy employed by a Financial Advisor and the client, investments may include equity and debt securities, pooled investment vehicles, covered options and cash and cash equivalents. Where approved, Financial Advisors may recommend certain option strategies, such as covered call writing and protective put buying. Investments may also include shares of eligible closed-end funds, open-end funds and exchange traded funds (“ETFs” and, together with closed-end and open-end funds, the “Funds”) that are affiliated and unaffiliated with MSSB.

Financial Advisors are also generally required to maintain certain percentage limitations on account holdings in certain types of investments, and diversification of investments across issuers and industry sectors. Financial Advisors are generally prohibited from recommending certain investments or investment strategies for Program accounts, including commodities, futures, short sales, unit trusts, partnerships, margin, derivatives, and other structured instruments, and certain securities on MSSB’s restricted list. On occasion, the Program’s investment guidelines may require a Financial Advisor to sell or journal out of a client’s account certain securities from client accounts based on their quality ratings, or if Morgan Stanley Equity Research drops coverage of these securities with no intention of reinitiating coverage.

The Program’s guidelines are subject to change without notice. Clients should consult with their Financial Advisor for further details.

In addition, clients may impose security specific restrictions on account investments. For example, a client may restrict specific securities purchased, or direct a sale of any security for tax or other reasons. Since Funds operate in accordance with the investment objectives and strategies set forth in their prospectuses, any restrictions imposed by a client as to individual securities will have no effect on the investments made by any Fund.

**Account Minimum.** On an ongoing basis, a minimum of \$25,000 generally must be maintained in each Morgan Stanley Advisory account. MSSB may impose a higher minimum upon prior written notice to a client. If the account falls below the account minimum, MSSB may require the client to deposit additional money or securities to bring the account up to the account minimum or close the account. MSSB may accept accounts below the stated minimum in its sole discretion.

**Fee.** The Morgan Stanley Advisory account will be charged an asset-based fee every quarter. The fee covers investment advisory services, the execution of transactions with or through MSSB, custody of the client's assets with MSSB, and reporting. The fee is charged on all account assets at a maximum annual rate of 2%. Fees may be negotiable. The fee does not cover any MSSB account establishment or maintenance fees for its Individual Retirement Accounts ("IRA") and Versatile Investment Plans ("VIP"), which are set forth in the respective IRA and VIP account and fee documentation (which may change from time to time), account closing or transfer fees, redemption or short-term trading fees, and other additional charges and expenses, as described under "*General Information About the Morgan Stanley Smith Barney Consulting Programs.*"

Subject to the 2% maximum, the fee may be a fixed rate applying to all assets in the account or a schedule of rates applicable to different breakpoints. (See "Breakpoints" on pages 2-3 of this Disclosure Document.) A client's Morgan Stanley Advisory account is generally not aggregated with any other Program account (including any other Morgan Stanley Advisory account held by the client) for purposes of calculating whether the client meets any breakpoint thresholds unless specifically agreed between the client and the Financial Advisor. See "Program Fees – Accounts Related for Billing Purposes" on page 4 for more details.

**Additions and Withdrawals.** Clients may make additions into the account at any time in the form of cash or program eligible securities, provided that MSSB reserves the right to decline to accept particular securities into the account or to impose a waiting period before certain securities may be deposited. For example, MSSB currently imposes a 12-month holding requirement on post-inception journals of any program-eligible securities purchased on a commission basis in a MSSB brokerage account. MSSB may accept other types of securities for deposit at MSSB's discretion. Clients may withdraw assets from the account upon notice to their Financial Advisor, subject to the usual and customary securities settlement procedures, as set forth in the Client Agreement.

**Principal Transactions.** In accordance with applicable law and regulation, and in the interests of seeking best execution, MSSB and/or one of its affiliates may execute principal trades for Morgan Stanley Advisory accounts. MSSB and/or one of its affiliates may receive a mark-up, mark-down, or spread in the net price in connection with such transactions to the extent permitted by applicable law.

**Agency Cross Transactions.** Clients opening Morgan Stanley Advisory accounts grant MSSB and its affiliates the authority to effect "agency cross" transactions (i.e., transactions for which MSSB and/or one of MSSB's affiliates act as broker for both the

client and the counter party to the transaction) for the account when so permitted by applicable law and by applicable internal policies. MSSB and/or one of its affiliates may receive compensation from the other party to such transaction, which is in addition to the Program fee described in this Disclosure Document, and thus may have a potentially conflicting division of loyalties and responsibilities. Client consent to agency cross transactions may be revoked at any time by written notice to MSSB.

**Time and Price Discretion.** MSSB and/or its affiliates can exercise limited discretion as to the price or time at which they can execute an order for a transaction in an Morgan Stanley Advisory account ("time and price discretion"), so long as such discretion is exercised on the same day that the order is given and is consistent with its duty to seek best execution. In addition, MSSB or its affiliates may aggregate orders for the sale or purchase of securities in Morgan Stanley Advisory accounts with orders for the same security for MSSB's and or its affiliates' other clients (other than accounts of its employees or related persons) without prior authorization, if the transaction is affected on the same day in which the order is received, and is in accordance with law and with the obligation of best execution. In such cases, generally, each affected account in the aggregated transaction will be charged with the average price per share or unit and, when applicable, its pro rata share of any fees.

**Cash Management Services.** You can obtain more information about checkwriting and ATM/Debit card services and the fees associated with the use of these features in the AAA Account Agreement and the document entitled "Your Account at Morgan Stanley Smith Barney" which you will receive upon account opening. In addition, you will receive updates to certain information about the charges associated with the use of these services in the annual MSSB FYI mailing,

## Fiduciary Asset Management

**General.** The Fiduciary Asset Management Program ("FAM" or "Fiduciary Asset Management") is generally for institutional and high net worth clients. In FAM, a client appoints MSSB as the discretionary investment manager to select, and allocate assets among, unaffiliated investment management firms ("Sub-Managers"), mutual funds, ETFs or alternative investments (together with "Sub-Managers", the "Investment Products") for the client's accounts using other MSSB programs (including Vision, Access and Personal Portfolio). In addition to investment management, MSSB also provides custodial, trade execution and related services for a single asset-based fee. The Fiduciary Asset Management program is designed to manage the overall investment management process, including investment policy decisions, asset and investment style allocation decisions, Investment Product selection and review, and comprehensive monitoring of each client's investment portfolios. Fiduciary Asset Management is operated as a "manager of managers" program.

**Overlay Manager.** For certain FAM clients MSSB's Private Portfolio Group (the "Overlay Manager") will handle transactions in the client's account in a manner consistent with the asset allocation and Investment Products selected by MSSB and the model portfolio provided by any applicable Sub-



Manager, as qualified by any client instructions accepted by the Overlay Manager. However, in certain strategies, Sub-Managers (“Executing Sub-Managers”) have discretion to implement recommendations directly. Periodically, the Overlay Manager will rebalance the client’s account in accordance with a rebalancing protocol applying to the Overlay Manager.

**Investment Products Approved for the Program.** Each Investment Product in the Fiduciary Asset Management Program has been approved by CG IAR, Alternative Investments Research or MSSB’s Portfolio Advisory Services Group. See the section called “*Selection of Investment Managers and Mutual Funds for the Programs.*”

**Replacing Investment Products.** If MSSB determines that an Investment Product previously recommended to a client is no longer approved for the Program, a replacement Investment Product shall be selected by MSSB.

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

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

- establish the client’s objectives
- formulate investment policies
- allocate assets
- select Investment Products
- oversee recordkeeping and reporting
- control portfolio expenses
- maintain custody and
- manage ERISA obligations (where applicable).

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

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

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

**Fees.** The client pays an asset-based FAM program fee to MSSB, at a maximum annual rate of 2% of assets invested in the Program. This covers investment advisory services provided by MSSB, custody of securities, and trade execution with or through MSSB, as well as compensation to any Financial Advisor or Private Wealth Advisor. The fees do not cover certain costs as described under “*General Information About the Morgan Stanley Smith Barney Consulting Programs.*” The FAM program fees are generally payable quarterly in advance.

The client pays an additional, separate fee for any Sub-Managers. For example:

- if the client is investing in the Vision program through the FAM program, the client will pay the third party investment manager’s fee (but not MSSB’s Vision program fee)
- if the client is investing in the Access program through the FAM program, the client will pay the amount that MSSB is obligated to pay the third party Access manager (but not MSSB’s Access program fee)
- if the client is investing in the Personal Portfolio program through the FAM program, the client will pay the “SMA Manager Fees” (but not the “MSSB Advisory Fee” or “Program Overlay Fee”) described in the *Morgan Stanley Personal Portfolio* section above.

The client will bear a proportionate share of the fees and expenses incurred by any funds in which the client is invested. The prospectus or other offering document of each of these funds describes these internal fees and expenses in detail.

## Global Investment Solutions

The Global Investment Solutions Program (“GIS”) is comprised of dedicated portfolio managers (“GIS Portfolio Managers”) and support personnel within CG who are responsible for implementing investment decisions for clients’ accounts in specialized investment strategies.

Client accounts are generally referred to GIS Portfolio Managers through the client’s Financial Advisor. The GIS strategies are customized for each client account based on information provided by the client regarding his or her financial situation, investment objectives, and reasonable restrictions. The Program is provided on a fully discretionary basis. GIS Portfolio Managers are selected by senior MSSB management to manage accounts in the Program based on strategies employed and separate account management experience (or other relevant experience). Advisory clients are free to contact and consult with their GIS Portfolio Manager during normal business hours.

Depending on their particular strategy, GIS Portfolio Managers may be able to invest in a broad range of securities and financial instruments, including, among others, equity securities, warrants, debt securities, commercial paper, certificates of deposits, municipal securities, mutual funds (including mutual funds for whom certain affiliates of MSSB act as investment manager and administrator), U.S. government securities, options contracts, futures contracts, private investments in private real estate

related companies, and limited partnerships (including limited partnerships for whom certain affiliates of MSSB act as general partner and investment adviser). GIS Portfolio Managers may provide advice with respect to securities issued by foreign governments, agencies and corporations.

GIS Portfolio Managers are permitted to provide advice with respect to a wide variety of instruments generally referred to as derivatives, including, but not limited to, forward contracts on securities and foreign currencies, swaps, structured notes, caps, collars, floors, equity-linked securities and liquid yield option notes. GIS Portfolio Managers may use derivatives consistent with their focus on managing the expected return and the risk exposure of the overall portfolio. MSSB employs derivatives in situations where it believes it can help increase expected returns or reduce risks at a lower cost than a cash market alternative.

**Account Minimum.** The account minimums are generally \$100,000 for equity accounts, \$5,000,000 for fixed income accounts and U.S. municipal accounts, and \$20,000,000 for cash management accounts. MSSB may accept smaller accounts, or impose a higher minimum upon prior written notice to a client. If the account falls below the account minimum, MSSB may require the client to deposit additional cash or securities to bring the account up to the account minimum or close the account.

**Fees.** MSSB charges an annual fee (“GIS Fee”) for its services in the Program, payable quarterly. The maximum annual rate is 2.85% for equity accounts.

For other types of accounts, the GIS Fee consists of two components: the “Portfolio Management Fee” (for the services provided by the GIS Portfolio Managers) and the “CG Fee” (for all other services provided by MSSB). The maximum CG Fee and Portfolio Management Fee for these types of accounts are as follows:

<u>Type of account</u>	<u>CG Fee</u>	<u>Portfolio Management Fee</u>
Fixed income	2.50%	0.20%
U.S. municipals	2.50%	0.15%
Cash management	2.50%	0.05%

The GIS Fee covers consulting and administrative services by MSSB, services provided by the client’s Financial Advisor and GIS Portfolio Manager, including periodic reviews of the client’s account, reporting, execution of transactions with or through MSSB, and custody of securities by MSSB. The GIS Fee does not cover commissions on transactions directed to broker-dealers other than MSSB or its affiliates, any MSSB account establishment or maintenance fees for its Individual Retirement Accounts (“IRA”) and Versatile Investment Plans (“VIP”), which are set forth in the respective IRA and VIP account and fee documentation (which may change from time to time), and other additional charges and expenses, as described under “*General Information About the Morgan Stanley Smith Barney Consulting Programs.*”

Financial Advisers who recommend the Program to their clients receive compensation as a result of a client’s participation in the Program. The amount of this compensation may be more than what the Financial Adviser would receive if the client paid separately for investment advice, brokerage, and other services.

Financial Advisers may therefore have a financial incentive to recommend the Program over other MSSB services.

**Account Review.** GIS Portfolio Managers and administrators are primarily responsible for reviewing each client account. Accounts are generally reviewed monthly or quarterly by the GIS Portfolio Manager and client's Financial Adviser.

## IV. General Information About the Morgan Stanley Smith Barney Consulting Programs

**Account Opening.** Depending on the program selected, an account may be funded by cash or securities. In some Programs, securities used to fund an account or make subsequent contributions will generally need to be sold. The sale of these securities may create a significant tax liability for the client, especially if the securities sold had a low taxable cost basis. In certain cases, and to the extent practicable, securities may be used to fund an account without being sold if the same securities are included in the account's investment model or, in the case of Personal Portfolio or Morgan Stanley Advisory, are otherwise eligible for investment in the Program.

If a client's existing mutual funds and other pooled investment vehicles are being used to fund an account, depending upon the class of securities used to initially fund an account or as a contribution to an account, the client will not recover the front-end fees previously paid and/or may be subject to a contingent deferred sales charge or a redemption or other fee based on the length of time that those securities have been held.

When a client remits a check for credit to an account, the funds will be credited to the account and be available for investment, but may be subject to a hold imposed by MSSB for up to ten days and may not be withdrawn during that period. However, the client will receive any interest or dividends on the investment of such funds during the imposed hold period.

If you open your Program account by converting an existing brokerage account (e.g., Morgan Stanley Active Assets Account) to a Program account, you may lose certain features previously available on your account, such as margin, check writing privileges, debit cards and credit cards. Your managed money account may have different cash sweep options than the cash sweep option you used in the brokerage account. Clients should ask their Financial Advisors or Private Wealth Advisor for more information.

**FINRA.** MSSB is a member firm of the Financial Industry Regulatory Authority ("FINRA"). Clients may contact the FINRA public hotline at 800-289-9999 or visit the FINRA Web site on the Internet at [www.finra.org](http://www.finra.org) to learn more about FINRA and the FINRA BrokerCheck program.

**Account Additions and Withdrawals.** Subject to MSSB's right to terminate the account, described above, clients may make additions into an account at any time (except for investments in alternative investment vehicles in Vision – see "Morgan Stanley Vision – Alternative Investment Vehicles"). Clients must notify their Financial Advisor or Private Wealth Advisor and their

manager(s) prior to any withdrawals from the account or directing a trade as set forth in the client agreement.

A client may withdraw assets so long as the account maintains the minimum investment level for its investment portfolio; if the withdrawal reduces the account below that level, the client may be required to terminate the account.

**Termination.** As set forth in each Client Agreement, clients may terminate MSSB's services as investment adviser at any time upon providing written notice to MSSB, and MSSB may resign as investment adviser of any account at any time on written notice to the client. If the Client Agreement is terminated by either party within five business days of its execution by MSSB, the client will receive a full refund of all fees and expenses. If the Client Agreement is terminated by either party after five business days of its execution by MSSB, the client will be entitled to a pro rata refund of any pre-paid fees based on the number of days remaining in the calendar quarter after the date upon which written notice of termination is received by MSSB or is provided by MSSB to the client. Upon termination, if MSSB has custody of the securities in the account, MSSB will arrange the custody of the securities in a brokerage account or the delivery of the securities and funds held in the account as the client instructs, unless the client requests that the account be liquidated. If an account is liquidated as a result of termination notice, MSSB will arrange for the payment of the proceeds to the client after all transactions are settled in the account and the client has paid all outstanding fees. Liquidation may cause the client to incur income tax obligations.

Once the Client Agreement has been terminated, subsequent transactions will be processed at prevailing brokerage rates. Upon termination, it is the client's sole responsibility to monitor and invest the assets, and MSSB and the investment manager (if applicable) will no longer have any further obligation to act or give advice with respect to those assets. In certain programs, a client may elect to retain shares of Funds purchased in the program. However, clients may not be able to retain certain Fund shares and, even where Fund shares may be retained, clients may not be able to purchase additional shares of the share class(es) offered in the advisory programs.

**Confirmations and Account Statements.** All clients, or their designated agents, will receive confirmation statements from MSSB for transactions executed through MSSB Clients in some of the Programs may elect not to receive daily trade confirmations upon the completion of each transaction that MSSB executes for their accounts. This election is reflected in their client agreement. In lieu of daily confirmations, such clients will receive from MSSB a periodic confirmation statement of all transactions that are executed through MSSB for their accounts. Trade confirmations may not be suppressed on certain securities or transactions (e.g. fund trades and principal transactions).

Clients who have previously elected not to receive daily trade confirmations may later choose to receive from MSSB, at no additional cost, transaction confirmations for any prior transactions executed through MSSB effected during any period in which the client previously elected not to receive daily trade confirmations. A client's decision to make this election is not a

condition to enter into (or participate in) any of the Programs, and clients will not pay a different fee based on this decision.

**Account Reports.** All clients receive account statements from MSSB quarterly, as well as for any month in which there is activity. Clients in some of the Programs are provided with periodic performance measurement summary reports, usually on a quarterly basis. These reports provide clients with tabular reports and graphic displays of account performance to inform clients how their investments have performed over a defined period, both on an absolute basis and on a relative basis compared to leading indices, such as Standard & Poor's indices. Clients may access these reports through ClientServ, MSSB's online account services site. To enroll your account in ClientServ, go to [www.morganstanley.com/online/enroll](http://www.morganstanley.com/online/enroll) and follow the step-by-step instructions. If, however, you would like to receive hard copy versions of these reports by mail, please call 1-888-454-3965. However, Institutional Consulting Group clients, and clients who open Personal Portfolio accounts through Morgan Stanley Private Wealth Management, do not have access to ClientServ and hence will receive hard copies automatically. Performance information may also be provided directly to clients by certain investment managers; however, such information may not be calculated on a uniform and consistent basis.

**Investment Manager and Mutual Fund Performance Information.** Composite performance information for managers contained in the Investment Manager Profiles generally reflect the performance of accounts in a MSSB Program, once that performance information is available. These composites are calculated by MSSB and are usually size-weighted, presented both gross and net of the applicable MSSB Program fees, and may be linked to the historical returns provided by the investment managers. Average annual results presented for periods prior to when there is sufficient composite data are based on investment manager-stated results. Investment manager-stated results are used for new investment managers added to the relevant Program until sufficient Program accounts are available and a sufficient period of time has transpired to calculate actual Program client results. In some cases, Investment Manager Profiles may contain performance data showing the manager's performance in the same or a substantially similar strategy in another MSSB Program.

Mutual fund performance in materials you receive is based on data received from the mutual fund companies. In general, the performance information reflects all of the mutual funds' expenses and assumes that all dividends and distributions are reinvested. Each mutual fund prospectus contains information about its performance reporting, and clients should refer to the prospectus and to the mutual fund's annual report for further information. Mutual fund performance returns are calculated based on net asset value of the fund without imposition of any sales charges or Program fee and includes reinvestment of dividends and capital gains.

**Disclosure of Beneficial Ownership.** SEC rules require MSSB to disclose to an issuer, on the issuer's request, the name and address of each of its clients that is a beneficial owner of the issuer's securities, and the number of shares of the issuer's securities that we hold in "street" name on behalf of each beneficial owner. The issuer is permitted to use the information

only for purposes of delivering shareholder communications (e.g., annual reports and proxies). MSSB is not required to provide a client's information to an issuer if the client has specifically objected. Clients should contact their Financial Advisor or Private Wealth Advisor if they wish to object to this type of disclosure.

**Review of Accounts.** Financial Advisors and Private Wealth Advisors are responsible for the review of client accounts on an ongoing basis. Primary responsibility for the supervision of these accounts lies with the Financial Advisor's or Private Wealth Advisor's Branch Manager. The Branch Manager's supervision encompasses confirming that the accounts and the investment styles selected are suitable investments for each client.

**Cash Sweeps.** Generally, some portion of a client's account will be held in cash. If MSSB acts as custodian for the client's account, then as custodian it will effect "sweep" transactions of all uninvested cash, allocations to cash and cash equivalents, if any, in your account into interest-bearing bank deposit accounts ("Deposit Accounts") established under the Bank Deposit Program or money market mutual funds managed by Morgan Stanley Investment Advisors Inc., or another one of our affiliates (each, a "Money Market Fund" and, together with Deposit Accounts, "Sweep Investments") to the extent permitted by applicable law and provided that you meet the particular Sweep Investment's eligibility criteria. The Bank Deposit Program is the default Sweep Investment for all eligible accounts. Terms of the Bank Deposit Program are further described in the Bank Deposit Program Disclosure Statement, which has been provided to you with your account opening materials. If you are participating in the Bank Deposit Program, please read the Bank Deposit Program Disclosure Statement carefully.

You may obtain information with respect to the current yields and interest rates on the available Sweep Investments by contacting your Financial Advisor/Private Wealth Advisor or through our web site at [www.morganstanleyindividual.com/accountoptions/activeassets/investmentfeatures](http://www.morganstanleyindividual.com/accountoptions/activeassets/investmentfeatures).

Allocations to cash that are part of an overall asset allocation will be limited to investments in either Deposit Accounts or an alternative Money Market Fund (if available). Uninvested cash and allocations to cash and cash equivalents including assets invested in Sweep Investments are included in the Fee calculation hereunder.

**Except where expressly stated in writing, such as in connection with the Bank Deposit Program noted above, investments made through MSSB are not deposits or other obligations of the Sweep Bank, are not guaranteed by the Sweep Bank, are not FDIC-insured and are subject to investment risk, including possible loss of the principal invested.**

If your Sweep Investment is a Money Market Fund, then your account, as well as other shareholders of the Money Market Fund, will bear a proportionate share of the other expenses of the Money Market Fund in which the account's assets are invested.

If your Sweep Investment is a Money Market Fund, you understand that Morgan Stanley Investment Advisors Inc. (or another MSSB affiliate) receives an investment management fee for managing the Money Market Fund and that Morgan Stanley Distributors Inc., another one of our affiliates, receives compensation in connection with the operation and/or sale of shares of the Money Market Fund, which may include a distribution fee pursuant to Rule 12b-1 under the Investment Company Act of 1940, to the extent permitted by applicable law.

You understand that unless you are a Retirement Plan, the Fee will not be reduced by the amount of the Money Market Fund management fee or any shareholder servicing and/or distribution or other fees we or our affiliates may receive in connection on the assets invested in the Money Market Fund. For additional information about the Money Market Fund and applicable fees, you should refer to each Money Market Fund's prospectus

Each Sweep Bank will pay MSSB a fee equal to the percentage of the average daily deposit balances in your Deposit Account at the Sweep Bank. The fee paid to MSSB may be a substantial portion of the amount the Sweep Bank is paying on the Deposit Accounts. Your Financial Advisor or Private Wealth Advisor will not receive a portion of these fees or credits. In addition, MSSB will not receive cash compensation or credits in connection with the Bank Deposit Program for assets in the Deposit Accounts for Retirement Plan accounts. Affiliates of MSSB, however, may receive a financial benefit in the form of credit allocations made for financial reporting purposes with respect to Retirement Plan accounts. The amount of this benefit will vary and will be based on the average daily deposit balances in the Deposit Accounts at each Sweep Bank. Generally, these benefits will increase as more funds are deposited through the Bank Deposit Program. No separate charges, fees or commissions will be imposed on your account as a result of or otherwise in connection with the Bank Deposit Program.

Through the Bank Deposit Program, each Sweep Bank will receive a stable, cost-effective source of funding. Each Sweep Bank intends to use deposits in the Deposit Accounts at the Sweep Bank to fund current and new businesses, including lending activities and investments. The profitability on such loans and investments is generally measured by the difference, or "spread," between the interest rate paid on the Deposit Accounts at the Sweep Bank and other costs of maintaining the Deposit Accounts, and the interest rate and other income earned by the Sweep Bank on those loans and investments made with the funds in the Deposit Accounts. The income that a Sweep Bank will have the opportunity to earn through its lending and investing activities is expected to be greater than the fees earned by MSSB and its affiliates from managing and distributing the money market funds available to you as a sweep investment.

*If you are not a U.S. person which, solely for purposes of this paragraph, is defined in Section 7701(a)(30) of the Internal Revenue Code, and your Sweep Investment is a taxable money market fund, including the Active Assets Institutional Money Trust and the Active Assets Institutional Government Securities Trust, you may be subject to withholding of U.S. tax on distributions made by your Sweep Investment of investment income and short-term capital gains. Recently, legislation amended certain rules relating to registered investment companies. This legislation, among other things, modified the*

*federal income tax treatment of certain distributions to non-U.S. Persons. The Sweep Investment, if a taxable money market fund, may no longer be required to withhold any amounts with respect to distributions that are properly designated by the Sweep Investment as "interest-related dividends" or "short-term capital gain dividends," provided that the income would not be subject to federal income tax if earned directly by you. Currently, the Sweep Investment may intend to continue to withhold these amounts. The provisions contained in the legislation relating to distributions to you would generally apply to distributions with respect to taxable years of registered investment companies beginning after December 31, 2004, and before January 1, 2008.*

*The tax information described herein is not intended or written to be used, and it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer under U.S. federal tax laws.*

*Prospective subscribers for the Money Market Fund shares should consult their legal and tax advisors and inform themselves about the taxes applicable to the acquisition, holding and disposition of shares, and to distributions in respect thereof, under the laws of the countries of their citizenship, residence or domicile.*

Important information about affiliated Money Market Funds into which Retirement Plan accounts may sweep their cash is set forth as Exhibit A to this Disclosure Document.

**Account Restrictions Imposed by Clients.** A client may restrict the purchase of certain securities for an account. Except in the Morgan Stanley Advisory program, a client may name either specific securities or a category (e.g., tobacco companies) that includes specified securities that may not be purchased for the account. Each manager will have the right to reject any account for any reason or no reason. In addition, because of regulatory constraints, certain securities may not be purchased for the client's account. The client is responsible for identifying any security or group of securities which may not be held in the account. Certain of the managers in the Programs manage socially conscious portfolios and limit their portfolios according to articulated policies (e.g., Sullivan principles). When a security is required to be sold or is restricted from being purchased for an account, this may adversely affect the account's performance and cause it not to track the performance of the managers' investment disciplines. The change of the classification of a company, the grouping of an industry or the credit rating of a security may force the investment manager to sell securities in a client's account at an inopportune time, possibly causing a taxable event to the client.

The ability to restrict investments applies to equity securities. It does not apply to, and does not affect, the purchase of debt securities and the purchase policies of mutual funds, ETFs, alternative investment vehicles or other pooled investment vehicles. Consequently, to the extent that there are debt securities or funds in an account, the client's ability to restrict the investments in an account will be limited. Clients cannot impose restrictions in Fund Solution.

**Execution of Account Transactions.** By opening an account in any of these Programs, the client is typically instructing the investment manager or Financial Advisor/Private Wealth Advisor to effect securities transactions through MSSB and/or its affiliates (acting as the client's agent), subject to the client's needs, the requirements of best execution and, if applicable, the requirements of ERISA. Managers are responsible for meeting the best execution obligations to clients and clients should review the manager's trading for the account. MSSB will not review and evaluate whether managers are meeting the best execution obligations.

MSSB may not be able to execute transactions in certain fixed income securities (specifically including municipal bonds) in your account when they do not meet the minimum denomination and increment requirements established by the issuer. In certain cases, this may result in an inability to rebalance a portion of your fixed income portfolio or liquidate a portfolio of your fixed income securities for tax harvesting or other purposes. To the extent permitted by law, MSSB will use its best efforts to assist advisory clients in selling fixed income securities that may not meet these minimums but cannot guarantee that a market will be available in which to sell such securities, nor the price at which such securities would sell if such markets were to exist.

**Additional Fees and Charges.** The fees for each of the Programs are described above. The Program fees do not cover: (i) the costs of investment management fees and other expenses charged by pooled investment vehicles, including mutual funds, exchange-traded funds and alternative investment vehicles, (ii) "mark-ups," "mark-downs," and dealer spreads (A) that MSSB or its affiliates may receive when acting as principal in certain transactions or (B) that other broker-dealers may receive when acting as principal in certain transactions effected through MSSB and/or its affiliates acting as agent, which is typically the case for dealer market transactions (e.g., fixed income and over-the-counter equity), (iii) brokerage commissions or other charges resulting from transactions not effected through MSSB or its affiliates. Some investment managers direct a majority of trades through broker-dealers other than MSSB and/or its affiliates, depending on the strategy. In such cases, these additional fees may be significant. In addition, the fees do not cover (i) any MSSB account establishment or maintenance fees for its Individual Retirement Accounts ("IRA") and Versatile Investment Plans ("VIP"), which are set forth in the respective IRA and VIP account and fee documentation (which may change from time to time), (ii) account closing/transfer costs, (iii) processing fees, or (iv) certain other costs or charges that may be imposed by third parties, including, among other things, odd-lot differentials, transfer taxes, exchange fees, supplemental transaction fees, regulatory fees, and other fees or taxes that may be imposed pursuant to law.

**Limitations on Transactions with Citi, MS&Co., their Affiliates and Related Parties.** MSSB is affiliated not only with MS&Co. and its affiliates, but also with Citi and its affiliates. This results in additional or broader restrictions relating to the execution of client transactions as follows:

- Both MS&Co. and Citi will generally not act as principal in executing trades for MSSB investment advisory clients (except to the extent permitted by the terms of the respective Programs and applicable 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 the ability of MSSB to execute transactions through alternative execution services (e.g., electronic communication networks and crossing networks) owned by either MS&Co., Citi or their affiliates.

These restrictions may adversely impact client account performance.

**Principal Transactions.** Unless otherwise described in the section entitled "The Morgan Stanley Smith Barney Programs," MSSB and/or its affiliates generally does not act as principal in executing trades for the accounts in any of the Programs covered by this Disclosure Document. In accordance with applicable law and regulation, however, MSSB or one of its affiliates may occasionally execute principal trades for accounts, and may receive a mark-up, mark-down or spread in the net price in connection with these transactions.

When MSSB receives trade orders for securities traded in the dealer markets, it will normally execute those orders as agent, through an unaffiliated dealer acting as principal. In these cases, MSSB and/or its affiliates will not receive commissions or other compensation in connection with such trades, although accounts in the Programs will bear the cost (including any commissions, mark-up, mark-down, spread or other charges) imposed by the unaffiliated dealer. As a result, trades in dealer market securities that are executed by MSSB and/or its affiliates as agent include any such payment of compensation to dealers other than MSSB and/or its affiliates, in addition to the Program fee described in this Disclosure Document. The expense represented by such charges is not reduced under the fee arrangement.

**Agency Cross Transactions.** Unless otherwise described in the Section entitled "The Morgan Stanley Smith Barney Programs," MSSB generally will not effect agency cross transactions (i.e., transactions in which MSSB and/or one of its affiliates acts as broker for the parties on both sides of the transaction) for client accounts. On occasion, to the extent permitted by applicable law and by internal policies, MSSB and/or its affiliates may effect agency cross transactions and receive compensation from the client on the other side of the transaction. MSSB and/or its affiliates may have a potentially conflicting division of loyalties and responsibilities when effecting agency cross transactions. The compensation received by MSSB and/or its affiliates from the other client is in addition to the Program fee described in this Disclosure Document. Client consent to agency cross transactions may be revoked at any time by written notice to MSSB.

**Internal Cross Transactions.** On occasion, MSSB and/or its affiliates may effect "cross" transactions between client accounts in which one client will purchase securities held by another client. Such transactions will only be entered into when MSSB and/or its affiliates deems the transaction to be permissible under applicable laws and regulations and in the best interests of both clients, at a price MSSB and/or its affiliates has determined by reference to independent market indicators and which MSSB and/or its affiliates believes to constitute "best execution" for



both parties. Neither MSSB and/or its affiliates nor any related party will receive any compensation in connection with such “cross” transactions.

**Order Aggregation.** MSSB and/or its affiliates, or the investment managers, may, but are not required to, aggregate orders for client accounts with the orders of other clients, their own accounts, their employees and their related persons. In such cases, the transactions, as well as the expenses incurred in the transactions, are allocated according to MSSB’s, the affiliate’s or the applicable investment manager’s policy in a manner believed by it to be equitable to each client. In such cases, each account will be charged or credited with the average price per unit and, where applicable, with brokerage costs and other fees.

**Directed Brokerage.** Certain Programs permit clients to compensate MSSB by directing brokerage transactions for execution through MSSB and/or MSSB at negotiated commission rates. A client who selects this option may directly, or in the client agreement with MSSB, instruct the investment manager with responsibility for investment of the assets to effect securities transactions for the assets through MSSB and/or MSSB subject to the client’s needs, the requirements of best execution and, if applicable, the requirements of ERISA. In some cases, the directed brokerage option replaces the Program fee. In other cases, the client will still pay the Program fee, and brokerage commissions will be credited against the Program fee at a negotiated ratio as to the amount of commission income required to offset each dollar of the fee. In the latter case, if the investment manager directs insufficient commissions to MSSB and/or MSSB to pay (on behalf of the client) the client’s fees in full, the client will be billed for the difference each quarter.

Generally, the commission rate payable by a client may be negotiated between the client and the Financial Advisor or Private Wealth Advisor. Clients may negotiate a commission rate that is higher than the rate that a client’s investment manager or other agent may be able to obtain. The client’s investment manager may execute trades through other broker-dealers when required by applicable law or when the manager reasonably believes that another broker-dealer will provide better execution, net of any additional resulting transaction charges, than would be the case if the transaction were executed through MSSB.

It is the client’s responsibility to monitor the level of commission transactions in relation to the client’s payment obligations. If an investment manager placing transactions on a client’s behalf directs more commissions to MSSB than necessary to satisfy the client’s fee obligation, MSSB will assume that the investment manager has determined that it is advisable for execution purposes to direct such transactions to MSSB. The brokerage direction may cause MSSB to earn substantially more than the agreed upon fee, and may also cause the client’s Financial Advisor’s or Private Wealth Advisor’s compensation, which is related to the amount of commissions generated through brokerage transactions in a client’s account, to be substantially higher.

**Form ADV Delivery.** Clients will receive their investment manager’s Form ADV, Part II, or other disclosure document which contains information about investments and strategies

used by the investment manager. Further information about the managers can be obtained from a Financial Advisor or Private Wealth Advisor.

**Investments in Mutual Funds.** Investing in Funds may be more expensive than other investment options offered in your advisory account. In addition to the Fee, you will pay the fees and expenses of the Funds in which your account is invested. Fund fees and expenses are charged directly to the pool of assets the Fund invests in and are reflected in each Fund’s share price. You understand that these fees and expenses are an additional cost to you and will not be included in the Fee amount in your account statements. You will not pay any sales charges for purchases of Fund shares. However, some Funds may charge, and not waive, a redemption fee on certain transaction activity in accordance with their prospectuses. Certain Fund fees and expenses may be paid to Fund managers and their affiliates for providing services to Funds.

You may be able to purchase Fund shares directly from the Funds or through a brokerage account at MSSB or other broker-dealer firm, without participating in a Program and paying the Program fee. Purchases of the Funds outside a Program may be subject to sales loads that do not apply to purchases made through the Program.

Each Fund’s expense ratio (the total amount of fees and expenses charged by a Fund) is set forth in its prospectus. The expense ratio generally reflects the costs incurred by shareholders during the Fund’s most recent fiscal reporting period. Current and future expenses may differ from those stated in the prospectus.

In addition to the Fee paid by you, MSSB and its affiliates may receive payments, as described below, from the Funds or affiliates of the Funds with respect to shares held in the account. Currently, these payments may include the following:

- investment management fees and related administrative fees from affiliated mutual funds where the funds’ investment adviser is a MSSB affiliate;
- recordkeeping and sub-transfer agency fees (which include shareholder sub-accounting and networking fees) (collectively, “recordkeeping fees”) at and in an amount generally equal to \$16, but which may be up to \$19, per Fund position held in the account per year, for recordkeeping and sub-transfer agency services provided by MSSB or its affiliates to the Funds or their service providers;
- shareholder services/distribution fees at an annual rate of 0.25% of the amount of assets invested in each Fund. Please refer to each Fund’s prospectus for more information. The shareholder services/distribution fee is paid for shareholder and account maintenance services and/or distribution-related services provided by MSSB or its affiliates to clients who invest in Funds through the Program. Some or all of these services for which MSSB or its affiliates are paid by the Funds are also provided by MSSB or its affiliates as part of the Program and are covered by the Fee paid by you; and
- revenue sharing payments at an annual rate of up to 0.12% made by affiliates of the Funds in exchange for the opportunity to offer their shares through Financial Advisors and Private Wealth Advisors. Such payments are made by or

on behalf of all Funds, including those affiliated with MSSB. The rates and terms and conditions of these arrangements can be changed at any time. Please refer to the Bill of Rights for Mutual Fund Investors, which is available at [www.morganstanley.com](http://www.morganstanley.com) and upon request, for more information about these and other payments.

*To the extent Funds are held in an account opened on behalf of a plan subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or for a retirement plan for a self-employed individual (either of which, a "Plan"), MSSB will either (i) credit the account with the amount of any shareholder services/distribution fees, revenue-sharing payments, and recordkeeping fees received by MSSB or its affiliates from Funds that are not affiliated with MSSB that are retained by MSSB or such affiliates and that do not constitute "direct expenses" (as defined under regulations issued pursuant to ERISA) or (ii) forego the collection of any shareholder services/distribution fees, revenue-sharing payments or recordkeeping fee with respect to such Fund(s).*

MSSB is making the following changes in 2010 affecting mutual funds held in Personal Portfolio, Custom Portfolio and Morgan Stanley Advisory accounts. These changes do not affect Fund Solution accounts or any money market funds in client accounts.

MSSB will begin offering advisory share classes of mutual funds currently offered in the Personal Portfolio, Custom Portfolio and Morgan Stanley Advisory programs. Advisory share classes usually have a lower expense ratio than the share classes that MSSB has previously offered in the programs. However, we may continue to offer non-advisory share classes if, for example, there is no equivalent advisory share class available or we believe that the non-advisory share class is likely to be the most cost effective share class. We will begin offering advisory share classes on or about April 1, 2010, with advisory shares becoming available for each fund family at various times on or after that date.

Once an advisory share class is available for a fund in the Custom Portfolio or Morgan Stanley Advisory program, clients will only be able to buy the advisory class shares, not the non-advisory class shares, of that fund in the program. Clients may retain their then-existing holdings of non-advisory class shares until they direct MSSB to sell them or (if MSSB exercises discretion over the account) MSSB decides to sell them. Once an advisory share class is available for a fund in the Personal Portfolio program, clients who do not already hold the fund in the program may only buy the advisory class shares. Personal Portfolio clients who already hold the non-advisory class shares in the program may retain and continue to buy more non-advisory class shares until they direct MSSB to sell them or (if MSSB exercises discretion over the account) MSSB decides to sell them.

If your client agreement with MSSB is terminated or advisory class shares are moved outside an investment advisory account, MSSB may convert the advisory class shares to a share class that is available in brokerage accounts (even though the expense ratio for that share class may be higher than the expense ratio for the advisory share class), or redeem the advisory class shares. Furthermore, we may convert any class A shares (and, if feasible

and at our sole election, other share classes), in a client's investment advisory account at any time to advisory class shares.

As set out in more detail above, the funds or an affiliate of the funds currently pays MSSB and our affiliates recordkeeping and sub-transfer agency fees, shareholder services/distribution fees and revenue sharing payments on the share classes that we offer for non-retirement accounts. On or about the time that an advisory share class of a fund is available in a program, MSSB and our affiliates will no longer receive those fees and instead will receive from each fund or its affiliates a recordkeeping and administrative services fee at an annual rate of up to 0.12% of the amount of assets invested in each mutual fund for non-retirement accounts. This compensates MSSB and our affiliates for providing recordkeeping, networking and other administrative services to the mutual funds or their service providers. A portion of these fees may represent revenue sharing if and to the extent that they exceed what the mutual fund would otherwise have paid for such services. We will begin to implement these payment changes for various fund families at various times on or after April 1, 2010. Therefore, for a transitional period, the current payments will apply to some fund families while the new payments will apply to other fund families.

The rates, terms and conditions of these arrangements can be changed at any time. Please refer to the then current version of this Disclosure Document or the MSSB Bill of Rights for Mutual Fund Investors, which is available on our website at [www.morganstanley.com](http://www.morganstanley.com) and upon request, for more information about these and other payments.

**Exchange-Traded Funds Considerations.** Shares of ETFs held in client accounts are bought and sold on an exchange and not, like mutual funds, directly from the fund itself. The price of ETF shares fluctuates in accordance with changes in the net asset value (NAV) per share, as well as in response to market supply and demand. Accordingly, ETF shares may trade at a price which differs from NAV per share of the ETF. Most ETFs, like all mutual funds, are registered investment companies under the Investment Company Act of 1940. However, Personal Portfolio offers ETFs which invest exclusively in physical assets, such as gold, and are not registered investment companies. These ETFs will not have the protections associated with ownership of shares in a registered investment company. For example, these ETFs are not subject to the prohibition on registered investment companies dealing with affiliates, do not have an independent board of trustees, and are not subject to requirements with respect to, among other things, diversification and the prohibition on the suspension of redemptions.

**Investments in Real Estate.** Certain Programs offer real estate-related investment disciplines, which typically invest in common stocks of U.S. corporations. Almost all such investments will be treated for tax purposes as investments in real estate investment trusts ("REITs"). Although it is unlikely that such investments will cause a tax-exempt investor to recognize "unrelated business taxable income" ("UBTI"), no assurances can be made that no UBTI will be recognized. If any investment causes a tax-exempt investor to recognize UBTI, and that tax-exempt investor is a charitable remainder trust, all of the income of the charitable remainder trust would be subject to federal income tax for the tax year in which the UBTI was recognized. Therefore,



charitable remainder trusts should consult with a tax adviser before investing in real estate investment disciplines.

**Account Protection.** Securities and cash held in a program account are protected by a combination of coverage provided by the Securities Investor Protection Corporation (“SIPC”), a nonprofit organization created by an Act of Congress, and additional protection purchased from a private insurer by MSSB (the “Excess Coverage”). MSSB is a member of SIPC. SIPC protects up to \$500,000 of each client’s securities, of which up to \$100,000 may be uninvested cash. Excess Coverage provides additional protection up to the remaining net equity securities balance, subject to an overall firm cap of \$1 billion and an aggregate limit of \$1.9 million for any individual. Coverage applies only to securities and cash in the exclusive possession and control of MSSB Mutual funds, including money market funds, that may be redeemed only through MSSB, are covered by SIPC and the Excess Coverage. Securities such as mutual funds, including money market funds, annuities, life insurance and limited partnerships, which may be redeemed or liquidated by direct contact with the issuer, carrier, distributor, transfer agent or another third party (e.g., by letter, telephone, Internet or check writing), generally are not covered by SIPC or our Excess Coverage. It also does not cover certain other types of securities including commodity futures contracts, fixed annuity contracts, precious metals, other physical commodities and foreign currency. The asset protection offered by SIPC and the Excess Coverage does not protect against losses of value due to market fluctuations. You can obtain additional information about SIPC, including the SIPC brochure, by contacting SIPC. Its Web site address is [www.sipc.org](http://www.sipc.org) and its telephone number is (202) 371-8300.

**Valuation of Account Securities.** Assets in an account are valued by MSSB and/or its affiliates using information provided by recognized independent quotation and valuation services or information received from the investment managers, any mutual fund, or other third party custodian, if applicable. MSSB and/or its affiliates believes this information to be reliable but does not verify the accuracy of the information provided by these services. If any information provided by these sources is unavailable or is believed to be unreliable, MSSB and/or its affiliates may value assets in a manner it determines in good faith to reflect fair market value. MSSB and/or its affiliates may use different valuation sources and procedures for different purposes. As a result, the determination of account asset values may differ for different purposes, and certain documents, such as performance reports, do not and will not contain official account information, which information is set forth in the account statement. For more information on valuation of account securities in alternative investment vehicles in the Vision program, see “Morgan Stanley Vision – Alternative Investment Vehicles.”

**Investment Risks.** All trading in an account is at the client’s 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 can never be and is not guaranteed or insured, and MSSB or an investment manager’s past performance with respect to other accounts does not necessarily predict MSSB’s or the investment manager’s future performance with respect to any particular account.

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

**Tax Consequences.** Securities transactions in an account may have tax consequences to a client. Neither MSSB nor its Financial Advisors or Private Wealth Advisors give tax advice. Clients are urged to consult their own tax advisers; clients who are tax-exempt should also consult their own tax advisers to determine what tax consequences, if any, are applicable.

Clients should be aware that the sale of shares of mutual funds, closed-end funds, alternative investment vehicles and ETFs as well as the receipt of dividend and capital gains distributions from the funds are taxable events. Please see a fund’s prospectus for more information. Investors in a fund do not have the same input or control over the realization of capital gains and losses in comparison to investing in individual (non-fund) securities. In the case of investing in individual (non-fund) securities through a managed account or otherwise, the investor has a cost basis in each security purchased for the account that is established at the time the security is purchased for the account and the investor is able to direct or request tax-driven sales of securities based on the lots of individual securities in the account. By contrast, an investor in a fund does not have an individual tax basis in the fund’s realized capital gains. When selecting a managed account program that includes an allocation to funds, a client should be comfortable with the potential tax consequences of an investment in funds and the tax consequences associated with a sale of fund shares, including in the event that a client terminates the account under the Program. Clients should consult their own tax advisers for tax advice, as MSSB and its Financial Advisors and Private Wealth Advisors do not provide tax advice.

**Solicitation Arrangements.** MSSB has entered and may enter into agreements with affiliated and non-affiliated solicitors that refer clients to the Programs described in this Disclosure Document. Under such agreements, these parties receive compensation for their successful referrals. As a result of these arrangements, fees paid by MSSB’s advisory clients may differ from the prevailing rate; however, the structure of the third-party solicitation agreement, including the compensation payable to the solicitor, will be disclosed to the client as required by applicable law. Securities and investment products purchased or sold by clients through Program accounts are not deposits or any other type of obligation of the solicitor, are not guaranteed by the solicitor; are not insured by the Federal Deposit Insurance Corporation; and involve investment risk, including the possible loss of principal.

## V. Conflicts of Interest

**Affiliated Products and Services.** MSSB may offer, recommend and/or purchase, to or for its investment advisory clients, mutual fund shares, interests in private investment funds, other investment products or securities or services (including investment managers in the Programs) issued, sponsored or provided by MS&Co., Citi or their affiliates. MSSB and its affiliates may receive more aggregate fees or other revenue if a MSSB investment advisory client purchases an affiliated product, security or service instead of an unaffiliated product, security or service.

In Fund Solution, MSSB and its affiliates will receive more aggregate fees with respect to investments in affiliated mutual funds than if the client selects non-affiliated mutual funds. In Personal Portfolio and Morgan Stanley Advisory, MSSB and its affiliates will receive more aggregate fees with respect to investments in affiliated Funds than if the client selects another investment option.

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

**Payments from Mutual Funds.** The only open-end funds offered in MSSB investment advisory programs described in this Disclosure Document (other than the Money Market Funds) are those that have agreed to pay MSSB or its affiliates a shareholder services/distribution fee and/or revenue-sharing payments. MSSB has a conflict of interest in offering these investment options because MSSB or its affiliates may earn more money in your account from your investments in such funds than other investment options. In addition, MSSB negotiates differing rates and methods of calculating revenue sharing payments from the various mutual fund families and therefore has a potential conflict of interest insofar as it or its affiliates may earn more money from certain funds over others. This compensation to MSSB or its affiliates will not be shared with your Financial Advisor. Please refer to the Bill of Rights for Mutual Fund Investors for more information about these and other payments.

**Different Advice.** MSSB, the investment managers in its programs, MS&Co., Citi and their affiliates may give different advice, take different action, or receive more or less compensation, or hold or deal in different securities for any other party, client or account, including their own accounts or those of their affiliates, from the advice given, actions taken, compensation received or securities held or dealt for a client.

**Transactions.** Transactions in a specific security may not be accomplished for all clients’ accounts at the same time or at the same price. From time to time, MSSB (or an affiliate’s) trading –

both for its proprietary account and for client accounts – may be detrimental to securities held by a client through a Program.

**Trading or Issuing Securities in, or Linked to Securities in, Client Accounts.** MS&Co., CGMI and their affiliates may provide bids and offers, and may act as principal market maker, in respect of the same securities held in client accounts. MSSB, the investment managers in its programs, MS&Co., CGMI and their affiliates and employees may hold a position (long or short) in the same securities held in client accounts. MS&Co., CGMI and/or their affiliates are regular issuers of traded financial instruments linked to securities that may be purchased in client accounts.

**Placement Agent:** MSSB (or an affiliate) may operate or act as placement agent of funds (including funds of funds) which may compete with one or more collective investment vehicles offered in a Program (or, in the case of funds of funds, whose underlying fund investments may compete with those vehicles). Certain collective investment vehicles available in a Program may also be included in the portfolios of these fund of funds programs. MSSB or its affiliates may create, write, sell or issue, or act as placement agent of derivative products, the return of which is linked in whole or in part to the performance of a collective investment vehicles available in a Program and which may have an adverse effect on applicable vehicle. For example, such products could represent leveraged investments in such collective vehicles and the leveraged characteristics of such investments could make it more likely, due to hedging arrangements or otherwise, that there would be significant withdrawals from a collective investment vehicle more quickly than might otherwise be the case.

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

**Restrictions on Securities Transactions.** There may be periods during which MSSB or investment managers are not permitted to initiate or recommend certain types of transactions in the securities of issuers for which MS&Co., Citi or one of their affiliates is performing broker-dealer or investment banking services or have confidential or material non-public information. Furthermore, in certain investment advisory programs, MSSB may be compelled to forgo trading in, or providing advice regarding, MS&Co. or Citi securities, and in certain related securities. These restrictions may adversely impact client account performance.

MSSB, the managers and their affiliates may also develop analyses and/or evaluations of securities sold in a Program, as well as buy and sell interests in securities on behalf of its proprietary or client accounts. These analyses, evaluations and purchase and sale activities are proprietary and confidential, and MSSB will not disclose them to clients. MSSB may not be able to act, in respect of clients' account, on any such information, analyses or evaluations.

MSSB, investment managers and their affiliates are not obligated to effect any transaction that MSSB or a manager or any of their affiliates believe would violate applicable federal or state law, or the regulations of any regulatory or self-regulatory body.

**Brokerage Transactions/Principal Trading.** Certain clients may maintain accounts at MSSB or its affiliates for which MSSB or its affiliates do not act as an investment adviser but rather as a broker-dealer. MSSB or its affiliates may enter into brokerage transactions as principal and, as a result, a potential conflict may arise between the client's interests and the interests of MSSB or its affiliates in executing transactions as a broker-dealer. As a broker-dealer, MSSB or its affiliates may collect transaction fees, commissions, an asset-based fee or a fixed fee separate from any Program fee.

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

**Dealing with MSSB in its Capacity Other Than as an Investment Adviser.** Financial Advisors who prepare financial plans are registered broker-dealer representatives of MSSB and thus may be involved in executing transactions for clients and receive compensation in connection with such transactions. In addition, MSSB or its affiliates may solicit these clients to invest in securities including partnerships or other private investment vehicles for which MSSB or one of its affiliates serves as the general partner or sponsor. These activities are separate and apart from MSSB's advisory activities. In some cases, clients may be able to use the assets in their Program accounts to guarantee loans made to clients by affiliates of MSSB. In such case, potential conflict may arise between the client's interests and the interests of the affiliate of MSSB making the loan.

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

**Certain Trading Systems.** If MSSB directly or indirectly effects client trades through exchanges, electronic communication networks or other alternative trading systems ("Trading Systems") in which its affiliates have an ownership interest, these affiliates may receive an indirect economic benefit based upon their ownership interest. Currently, affiliates of MSSB (including affiliates of MS&Co. and Citi) own over 5% of the voting securities of certain Trading Systems, including BATS Trading, Inc., operator of BATS Electronic Trading Network (commonly known as "BATS"); the entities that own and control the Block Interest Discovery System (commonly known as "BIDS"); LavaFlow Inc.; EBX Group, LLC; ELX Futures Holdings, LLC; ELX Futures, LP; TheMuniCenter; Automated Trading Desk Financial Services LLC; Automated Trading Desk Brokerage Services LLC; Boston Options Exchange, LLC; FX Alliance Inc.; and National Securities Exchange. Other Trading Systems on which MSSB may execute trades for client accounts include Archipelago; eSpeed; Instinet; NYFIX; Track ECN; BondDesk; ValuBond; NYSE Euronext; TradeWeb; and MarketAxe. The Trading Systems on which MSSB trades for Client accounts and in which affiliates of MSSB own interests may change from time to time. You may contact your Financial Advisor/Private Wealth Advisor for an up-to-date list of Trading Systems in which affiliates of MSSB own interests and on which MSSB and/or MS&Co. trades for client accounts.

Certain Trading Systems offer cash credits for orders that provide liquidity to their books and charge explicit fees for orders that extract liquidity from their books. From time to time, the amount of credits that MSSB and/or MS&Co. receives from one or more Trading System may exceed the amount that is charged. Under these limited circumstances, such payments would constitute payment for order flow.

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

**Debit Card.** In certain Programs, MSSB may permit clients to use a Morgan Stanley Debit MasterCard Card ("Debit Card"). The Debit Card is issued by a bank not MSSB. When a client uses a Debit Card for purchases, the merchant pays a percentage of the total sale (or interchange fee) to MasterCard, and MSSB receives a portion thereof. These fees are determined by MasterCard, not MSSB, and vary from merchant to merchant.

**Payments by Investment Managers.** Payments by investment managers to MSSB or its Financial Advisors or Private Wealth Advisors, which are described in "*Payments from Investment Managers*" above, could create a conflict of interest because, in presenting investment managers, Financial Advisors could have an incentive to present managers that make these types of payments over managers that do not.

**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, CGMI and their affiliates, including the following:

- *Clearing.* An agreement providing that, subject to best execution, MS&Co. and CGMI (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 CGMI.
- *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, CGMI 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 Citi (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.

## VI. Description of Morgan Stanley Smith Barney's Proxy Voting Policies and Procedures

**General.** The SEC requires that all registered investment advisers notify clients for whom they vote proxies of: (a) the methodology the adviser uses to determine its vote and (b) the process by which a client can obtain information regarding how votes for securities in the client's portfolio were cast by the adviser.

In the Programs covered by this Disclosure Document, the discretionary investment management is generally performed by the investment manager rather than MSSB. Clients may expressly retain the right to vote any proxies or take corporate actions relating to securities in their account, or designate the investment managers in their account to receive and vote all such proxy materials. Except as set forth below, MSSB and MS&Co. will not vote or provide any advice or take any action relating to the voting of proxies solicited with respect to securities held in a client's account.

Clients may request a copy of an investment manager's proxy voting policy and specific information as to how the investment manager voted proxies on a client's behalf by contacting the investment manager directly. This information may vary as to content, format and period covered depending on the investment manager.

### **Funds Held in Personal Portfolio or Fund Solution Accounts.**

Where clients directly own units of mutual funds or exchange-traded funds in Fund Solution or Personal Portfolio accounts, clients expressly retain the right to vote the mutual fund and exchange-traded fund proxies in their accounts.

**Morgan Stanley Advisory Accounts.** In the Morgan Stanley Advisory program, clients may expressly retain the authority and responsibility with respect to voting proxies for their accounts or may delegate discretion with respect to voting such proxies to a third party. MSSB and/or MS&Co. will forward to the client, or any person designated by the client, any proxy materials that they receive that pertain to securities held in the account.

However, notwithstanding the foregoing, in the Morgan Stanley Advisory client agreement or other writing delivered to MSSB, clients whose account assets are custodied with MS&Co. may authorize MSSB to receive proxy solicitation materials, annual reports, and other materials relating to the securities in the account and to vote proxies for such securities. This authorization may be revoked at any time by written notice to MSSB.

Accordingly, the disclosure below in this "Morgan Stanley Advisory Accounts" section applies only to Morgan Stanley Advisory clients who have authorized MSSB in their Morgan Stanley Advisory client agreement, or other writing delivered to MSSB, to receive and vote proxies on the clients' behalf. No action is required by such clients in response to this disclosure.

MSSB acknowledges its fiduciary obligation to vote proxies on behalf of those client accounts for which MSSB manages assets in the Program, including beneficiaries of and participants in a client's benefit plan(s), that have specifically delegated proxy voting authority in writing to MSSB. MSSB has established a Proxy Voting Committee (the "Proxy Voting Committee") and will vote proxies in the manner described below.

The Proxy Voting Committee and the policies described herein only govern those proxy votes cast on behalf of clients who have delegated both investment discretion and proxy voting authority to MSSB and their Financial Advisor.

The members of the Proxy Voting Committee are designated by MSSB management, and the committee has the authority to amend, as necessary, MSSB's proxy voting policies and procedures. The Proxy Voting Committee meets semi-annually to review generally its proxy voting policies and procedures, and as needed to address any outstanding or special proxy voting issues. The Proxy Voting Committee has the exclusive authority to make all proxy decisions delegated to MSSB by the clients described above. Financial Advisors and other personnel do not have any authority to vote proxies.

To assist MSSB in its proxy voting responsibilities, MSSB has retained the services RiskMetrics Group as experts in the proxy voting and corporate governance area. RiskMetrics specializes in providing a variety of fiduciary-level proxy advisory and voting services. These services include in-depth research, analysis and voting recommendations as well as vote execution, auditing and consulting assistance for the handling of proxy voting responsibility and corporate governance-related efforts.

Except as described below, MSSB will vote in a manner consistent with RiskMetrics' policy guidelines and vote recommendations. Because RiskMetrics makes its recommendations based on its independent, objective analysis of the economic interests of shareholders, its process ensures that MSSB votes in the best interests of its clients and insulates MSSB's voting decisions from any potential conflicts of interests. In those instances in which RiskMetrics may be unable to make a proxy vote recommendation, the Proxy Voting Committee will, based on such advice as it deems necessary, independently determine the manner in which to vote such proxies consistent with MSSB's policy to vote proxies solely in the best interests of clients.

While MSSB's policy is to vote proxies solely in the best interests of clients, proxy votes cast by the Proxy Voting Committee may also benefit other clients of MSSB or its affiliates, including investment banking or other clients with whom MSSB or its affiliates has significant client relationships. These decisions may result either from the fact that MSSB has, pursuant to its policy, followed an ISS recommendation for a vote that would benefit such clients or, in the situation where ISS has not issued a recommendation, because the Proxy Voting Committee has nevertheless determined that such a vote would be in the best interest of its clients.

The Proxy Voting Committee may also determine to abstain from voting if, based on factors such as expense or difficulty of exercise, it determines that a client's interests are better served by an abstention than by voting such proxies. MSSB has retained RiskMetrics to enter the proxy votes MSSB casts on behalf of its clients electronically into RiskMetrics' system. Clients may obtain a complete copy of MSSB's proxy voting policies and procedures, including a copy of RiskMetrics' policy guidelines and vote recommendations in effect from time to time, by directing a written request to their Financial Advisor. Each client may also request in writing, directed to its Financial Advisor, information concerning the manner in which proxy votes have been cast on behalf of the client during the prior annual period. This information will be provided to the client in writing (by mail, fax or email) as soon as practicable.

Further, for any account in which proxy voting authority has been delegated to MSSB, a client, or a named fiduciary for an ERISA account client, may provide MSSB with written notice to completely revoke MSSB's authority to vote proxies on behalf of the client or to revoke MSSB's authority to vote specific proxies. MSSB will use reasonable efforts to comply with the client's revocation unless the revocation has not been timely delivered. All revocation notices should be directed to the client's Financial Advisor and must be delivered to MSSB no later than five business days prior to the date the proxy is due.

MSSB will retain all books and records relating to its proxy voting activities on behalf of client accounts in accordance with the requirements of Rule 204-2(c)(2) under the Investment Advisers Act of 1940, as amended.

**Legal Proceedings.** MSSB and MS&Co. will also not provide advice or take action with respect to legal proceedings, including securities class actions and bankruptcies, relating to the securities in a client's account, except to the extent required by

law. MSSB and/or MS&Co. sends clients information it receives about securities class actions and, on a case by case basis, determines whether to send information on bankruptcy proceedings.

## VII. Description of Morgan Stanley Smith Barney's Code of Ethics

MSSB's Investment Adviser Code of Ethics (the "Code") applies to all of its employees, supervisors, officers, and directors who are engaged in the offering or provision of investment advisory products and/or services (collectively, the "Employees"). In essence, the Code prohibits any Employee from engaging in any securities transaction or activities that involves a material conflict of interest, possible diversion of a corporate opportunity, or the appearance of impropriety. This means that 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. All 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 the following:

- An Employee who wishes to conduct business activity outside of his or her employment with MSSB, regardless of whether that Employee receives compensation for such 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 any 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 any person or organization with which MSSB has a current or potential business relationship, any client, or any person connected with another financial institution, a securities or commodities exchange, the media, or a government or quasi-governmental entity.
- Employees are prohibited from entering into a lending arrangement with a client unless they receive prior written authorization from their supervisor and from the Compliance Department of MSSB.
- MSSB maintains a list of issuers for which it may have material non-public information or other conflicts of interest. All employees are prohibited from entering into securities transactions for themselves or for clients in securities of any company that is on this "restricted list" without first obtaining prior written approval of the Compliance department.
- Certain Employees, because of their potential access to nonpublic information, must obtain their supervisors' written pre-approval before executing certain securities transactions for their personal securities accounts. All Employees must also follow special procedures for investing in any private securities transactions.

Certain Employees are subject to further restrictions on their securities transaction activities. Custom Portfolio Financial Advisors, Investment Group portfolio managers, Discretionary Management Private Wealth Advisors, and their team members and sales assistants, may not buy or sell in their own accounts (or certain accounts in which they or related persons have an interest) the same security on the same day as their advisory clients' trades are executed. Trades in derivatives of the security are also prohibited on the trade date.

However, in the Custom Portfolio program, Financial Advisors may trade their own (and family) Custom Portfolio accounts at the same time as they execute Custom Portfolio client trades, if they aggregate these trades with client trades, and may thereby acquire, and compete for, positions or interests in the same securities as their clients. 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.

A copy of the Code of Ethics may be obtained from a Financial Advisor or Private Wealth Advisor.

## VIII. Certain Disciplinary Matters

This section contains information on certain legal and regulatory matters affecting MSSB affiliates.

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.

- 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 CGMI, 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 executing 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. No allegation of fraud or impact on the market was made. 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 CGMI for two disclosure failures by CGMI in offering and selling mutual fund shares. Firstly, CGMI received from mutual fund advisers and distributors revenue sharing payments, in exchange for which CGMI granted mutual funds preferential sales treatment. The order found that CGMI 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 CGMI, 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 CGMI, required CGMI to cease and desist from future violations of the applicable provisions, and required CGMI to pay a \$20 million penalty.
- In March 2005, the NASD censured and fined CGMI with respect to CGMI'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 CGMI 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 CGMI'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 CGMI and required CGMI 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 CGMI 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 CGMI during the applicable period.

The SEC order found that SBFM and CGMI willfully violated section 206(1) of the Investment Advisers Act of 1940 ("Advisers Act"). Specifically, the order found that SBFM and CGMI 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 that 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 CGMI. The order also found that SBFM and CGMI 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 CGMI 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 CGMI 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 and will be distributed pursuant to a plan to be prepared by Citi and submitted within 90 days of the entry of the order for approval by the SEC.

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 CGMI 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 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 applicable 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 (the "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 CGMI. The decision held that CGMI 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, CGMI 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 CGMI'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 (a) failed to reasonably supervise four Financial Advisors, with a view to preventing and detecting their mutual fund market-timing activities and (b) violated the Investment Company Act of 1940 by allowing multiple mutual fund trades that were placed or amended after the close of trading to be priced at that day’s closing net asset value. The December 2007 Order also found that, from 2000 through 2003, MSDW violated the Exchange Act by not making and keeping records of customer orders placed after the market close and orders placed for certain hedge fund customers in variable annuity sub-accounts. Without admitting or denying the SEC’s findings, 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 Office of the New York State Attorney General (“NYAG”) and the Office of the Illinois Secretary of State, Securities Department (“Illinois”) (on behalf of a task force of the North American Securities Administrators Association (“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. has agreed to pay a total fine of \$35 million. Final agreements were entered into with the NYAG on June 2, 2009 and with Illinois on September 17, 2009. The Illinois agreement serves as the template for agreements with 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 CGMI’s underwriting, marketing and sale of ARS, CGMI, 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. (the “Judgment”). Thereafter, on December 11, 2008, the SEC filed its civil action in the federal district court for the Southern District of New York (the “Court”). The Judgment, which was entered on December 23, 2008: (i) permanently enjoined CGMI from directly or indirectly violating section 15(c) of the Exchange Act; (ii) provides that, upon later motion of the SEC, the Court shall determine whether it is appropriate to order that CGMI 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 CGMI’s Consent be incorporated into the Judgment and that CGMI 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) CGMI misled tens of thousands of its customers regarding the fundamental nature of and risks associated with ARS that CGMI underwrote, marketed and sold; (2) through its financial advisers, sales personnel and marketing materials, CGMI misrepresented to customers that ARS were safe, highly liquid investments comparable to money market instruments; (3) as a result, numerous CGMI customers invested in ARS funds they needed to have available on a short-term basis; (4) in mid-February 2008, CGMI decided to stop supporting the auctions; and (5) as a result of the failed auctions, tens of thousands of CGMI customers held approximately \$45 billion of illiquid ARS,

instead of the liquid short-term investments CGMI had represented ARS to be. CGMI reached substantially similar settlements with the NYAG and the Texas State Securities Board (the "TSSB"), although those settlements were administrative in nature and neither involved the filing of a civil action in state court. The settlements with the NYAG and the TSSB differed somewhat from the settlement with the SEC in that the state settlements (1) made findings that CGMI failed to preserve certain recordings of telephone calls involving the ARS trading desk; and (2) required CGMI to refund certain underwriting fees to certain municipal issuers. In addition, as part of the settlement with New York, CGMI paid a civil penalty of \$50 million. CGMI also has agreed in principle to pay to states other than New York with which it enters into formal settlements a total of \$50 million. CGMI paid \$3.59 million of this \$50 million to Texas as part of the settlement with that state. CGMI 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 I contains further information about its disciplinary history, and is available upon request from a Financial Advisor or Private Wealth Advisor.

## IX. Principal Officers

Generally, MSSB requires a minimum of a college degree or equivalent securities industry experience of its employees who provide other than clerical or administrative services to its investment advisory clients.

In the brief biographical sketches in this section, references to "Morgan Stanley" may include MS&Co., predecessor companies and affiliates.

The following are brief biographical sketches of MSSB's principal executive officers.

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

**Jim Rosenthal**, born in 1953, is the Chief Operating Officer of MSSB and Head of Corporate Strategy for Morgan Stanley. He is also a member of the Firm's Management and Operating Committees. Prior to assuming his current role in January 2010, Mr. Rosenthal was the Head of Firmwide Technology and Operations for Morgan Stanley and the Head of Integration for MSSB. Mr. Rosenthal joined the Firm in 2008 from Tishman Speyer, where he served as Chief Financial Officer since 2006. Prior to that, he worked at Lehman Brothers from 1999 to 2005, where he was Head of Corporate Strategy and Corporate Development and a member of the Management Committee. Mr. Rosenthal was with McKinsey & Company from 1986 to 1999, where he was a Senior Partner specializing in financial institutions, and Co-Head of the Investment Banking Practice. Mr. Rosenthal has a B.A. from Yale and a J.D. from Harvard Law School.

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

**Anne Cooney**, born in 1968, Managing Director, is General Counsel of MSSB. Previously she was the Deputy General Counsel of MSSB and prior to that role was the head of Client Litigation for the Morgan Stanley Global Wealth Management Group. Prior to joining Morgan Stanley, Ms. Cooney worked at Steel Hector and Davis from 1993 through 1999. Ms. Cooney has a B.S. from the University of North Carolina, Chapel Hill and a J.D. (Order of the Coif) from the University of Florida College of Law.

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

The following are brief biographical sketches of the MSSB personnel who have supervisory responsibility over the Programs.

**James Walker**, born in 1963, has been a Managing Director and Head of Consulting Group, MSSB since September 2010. Previously, Mr. Walker was a Managing Director and Chief Operating Officer for Investment Strategy and Solutions (consisting of the Consulting Group, Investment Strategy and

Research, Investment Products, and Alternative Investments) at MSSB from June 2009. Previously, Mr. Walker was a Managing Director and Director of Finance, Risk, and Strategy for Global Wealth Management Investments at Citi. He joined Citi in November of 2006 as the Chief Operating Officer of Smith Barney's Investment Advisory Services. Prior to joining Citigroup, Mr. Walker was the Chief Administrative Officer at Merrill Lynch Global Private Client group since prior to 2006. Mr. Walker received a B.A. in Economics from the Catholic University of America and was a Sloan Fellow at the Massachusetts Institute of Technology, where he received a S.M. in Management Science. Jim continues as a lecturer at M.I.T. at the Sloan school. He holds the Certified Investment Management Analyst (CIMA) designation.

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

**Thomas J. Butler**, born 1957, is a Managing Director of MSSB and is the Head of Products & Platform Development, Business Management and Operations for the Consulting Group. Previously, Mr. Butler was the head of Citi's Global Wealth Management International Client Solutions unit and the Chief Operating Officer of the Investments Unit within Citi's Global Wealth Management. Prior to joining Citi in 1998, Mr. Butler headed a structured finance unit at UBS Securities LLC and was Principal and Counsel at Babcock & Brown, a boutique investment bank. Mr. Butler received his B.A. from Rutgers University in 1979 and his J.D. from Rutgers University School

of Law - Newark in 1982. Mr. Butler was formerly licensed to practice law in the states of NY, NJ and Texas and currently holds his Series 24, 7 and 63 securities licenses.

**Rosalie F. Berman**, born in 1975, has been the Director of Smith Barney Advisor and Morgan Stanley Advisory for MSSB since June 2009. Previously, Ms. Berman was a Director of CGMI and the Director of Smith Barney Advisor. Ms. Berman joined CGMI (or its predecessor firms) in 1999. Ms. Berman received her B.S. from Tufts University.

**Roger Paradiso**, born in 1966, has been a Managing Director and the Director of the Private Portfolio Group and Chief Investment Officer of MSSB since June 2009. Previously, Mr. Paradiso was a Managing Director at CGMI and President and Chief Investment Officer of the Private Portfolios Group as a division of CGMI. From 2007 to April 2008, he was the President and Chief Investment Officer of Legg Mason Private Portfolio Group, LLC ("LMPPG"). Prior to joining LMPPG, he was a Portfolio Manager and Managing Director of ClearBridge, which he joined in December 2005. Prior to December 2005, Mr. Paradiso was a Managing Director of CGMI and served as a Portfolio Manager of Smith Barney Asset Management, a division of CGMI. He joined CGM's predecessor in 1988. Mr. Paradiso received a B.S. in Finance from Long Island University.

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

## X. Cross-References

The table below states the page(s) of this Disclosure Document containing the various disclosures required by Item 7 of Schedule H of Form ADV Part II.

Item:

7(a) Cover .....	Cover
7(b) Table of Contents .....	Table of Contents
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7(f) Other Fees .....	25-29
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## **Exhibit A: Retirement Plan**

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

*General Information:* MS&Co. has used the Morgan Stanley money market funds listed in the table below to effect temporary sweep transactions of uninvested cash balances in certain “Retirement Plan Accounts” (e.g., IRAs, EBT, RPM and VIP accounts). However, “IRAs” (e.g. Traditional, Roth, Rollover, SEP, SAR-SEP, SIMPLE) established or maintained on or after September 17, 2007 now sweep into Deposit Accounts, established under the Bank Deposit Program. In addition, the remaining Retirement Plan Accounts (e.g., EBT, RPM and VIP accounts) and Coverdell Education Savings Accounts (“CESAs”) have, since May 19, 2008, also swept into Deposit Accounts established under the Bank Deposit Program (each date related to the conversion to the Bank Deposit Program, the “Effective Date”). Please note that, in either case, only new cash balances have been swept to the Deposit Accounts. Any existing balances in any of the Morgan Stanley money market funds listed in the table below remain in such funds, pending use for account charges and other purposes.

*Please Note:* If you had an IRA or CESA in an advisory program before the Effective Date your account swept into the Morgan Stanley Liquid Asset Fund Inc. (“ILAF”). As of the Effective Date, such IRAs and CESAs will have any new cash balances deposited into the Deposit Accounts, and any balances such accounts have in ILAF will diminish over time (as such investments will be used to satisfy debits in your account). For IRAs or CESAs established on or after the Effective Date, ILAF will not be available as a cash sweep investment option for new cash balances, and all cash balances will be invested in the Deposit Accounts. If you had a Retirement Plan Account in an advisory program before the Effective Date, your account may have been swept into a number of different proprietary mutual funds, including, but not limited to, ILAF, depending upon the type of account and platform. As of the Effective Date, such Retirement Accounts also will have any new cash balances deposited into the Deposit Accounts, and any balances such accounts have in ILAF or other proprietary mutual funds will diminish over time (as such investments also will be used to satisfy debits in your account). For Retirement Accounts established on or after the Effective Date, all cash balances will be invested in the Deposit Accounts.

For Retirement Plan Accounts that swept into affiliated money market funds prior to the Effective Date, or continue to hold cash amounts after the Effective Date, any fee designated in the table listed below as “advisory fee” received by an MSSB affiliate will be offset against the Program fees, and any fee designated in the table as “distribution and service fees” received by a MSSB or its affiliates will be credited to the client’s account. Accordingly, any changes in these fees will have no effect on the fees paid by a Retirement Plan Account.

*Float Disclosure:* If MS&Co. is the custodian of the client’s account, the client understands that the custodian may retain as compensation, for its provision of services, the account’s proportionate share of any interest earned on cash balances held by MS&Co. or an affiliate with respect to assets awaiting investment. Such interest retained by the custodian shall generally be at the prevailing Federal Funds interest rate.

Amounts awaiting investment include: (1) new deposits to the account, including interest and dividends; and (2) any uninvested assets held by the account caused by an instruction to the custodian to purchase and sell securities (which may, after the period described below, be automatically swept into a sweep vehicle). Generally, with respect to such assets awaiting investment: (i) where such assets are received by the custodian on a day on which the NYSE is open (“Business Day”) and before the close of the NYSE on that day, such interest shall be earned by the custodian through the end of the following Business Day; (ii) where such assets are received on a Business Day but after the close of the NYSE on such day, or on a day which is not a Business Day, such interest shall be earned through the end of the second following Business Day. (For certain accounts – namely Retirement Plan Accounts established as Basic Security Accounts (“BSAs”) that have less than \$1,000 in the Deposit Accounts — amounts awaiting investment will sweep weekly).

*MSSB as an ERISA fiduciary:* If MSSB is a fiduciary (as defined under ERISA or the Internal Revenue Code) with respect to the Retirement Plan account, the table below describes the fees and expenses that are charged to assets invested in shares of the money market funds in which the Plans invest, and are expressed as a percentage of each fund’s average daily net assets for the stated fiscal year. The rate of management fee and distribution and service (including 12b-1) fees (whether in basis points or dollars) may not be increased without first obtaining shareholder approval. Expenses designated as “other expenses” include all expenses not otherwise disclosed in the table that were deducted from each fund’s assets or charged to all shareholder accounts in the stated fiscal year, and may change from year to year. Fees and payments described in the various prospectus documents that are payable with respect to the funds may be paid to MSSB and its affiliates for services performed, and the aggregate amount of such fees may be found in the tables below.

The amounts of expenses deducted from the funds’ assets are the amounts shown as expenses in each fund’s statement of operations in its annual report. MSSB and/or its affiliates may, from time to time, agree to waive a certain portion of its management fee or assume or reimburse a certain portion of the operating expenses of any fund. Notice of such waivers of management fee or assumptions or reimbursements of expenses, which may be limited in duration, will be given in the fund’s prospectus and/or statement of additional information.

MSSB believes that the investment of the Retirement Plan’s assets in shares of the funds for sweep purposes may be appropriate for Plans because using professionally managed money market funds allows clients to access cash on an immediate basis, while at the same time providing a rate of return on their cash positions pending investment. As is typical of these arrangements, only affiliated money funds are used for this purpose.

MSSB also believes that the investment of the Retirement Plan’s assets in the Deposit Accounts may also be appropriate. Terms of the Bank Deposit Program are further described in the Bank Deposit Program Disclosure Statement, which has been provided to you with your account opening materials.

Information is subject to change. Please refer to the funds’ prospectuses, statements of additional information and annual reports for more information. The information below is current as of each fund’s most recent prospectus issued on or before January 31, 2010.

<b>Fund</b>	<b>Advisory Fee</b>	<b>Distribution and Service Fees</b>	<b>Other Expenses*</b>	<b>Total Annual Fund Operating Expenses**</b>
Active Assets Money Trust	0.29%	0.10%	0.10%	0.49%
Active Assets Government Securities Trust	0.45%	0.10%	0.13%	0.68%
Active Assets Institutional Government Securities	0.10%	None	0.08%	0.18%
Active Assets Institutional Money Trust	0.10%	None	0.08%	0.18%
Morgan Stanley Liquid Asset Fund Inc.	0.26%	0.10%	0.28%	0.64%
Morgan Stanley U.S. Government Money Market Trust	0.37%	0.09%	0.16%	0.62%

\*\*\*Other expenses\*\* may include charges and expenses of any registrar, custodian, stock transfer and dividend disbursing agent; brokerage commissions; taxes; registration costs of the funds and its shares under federal and state securities laws; the cost and expense of printing, including typesetting, and distributing prospectuses of the funds and supplements thereto to the funds' shareholders; all expenses of shareholders' and directors'/trustees' meetings and of preparing, printing and mailing of proxy statements and reports to shareholders; fees and travel expenses of directors/trustees or members of any advisory board or committee who are not employees of the Investment Manager or any corporate affiliate of the Investment Manager; all expenses incident to any dividend, withdrawal or redemption options; charges and expenses of any outside service used for pricing of the Fund's shares; fees and expenses of legal counsel, including counsel to the independent directors/trustees (not including compensation or expenses of attorneys who are employees of the Investment Manager); fees and expenses of the funds' independent registered public accounting firm; membership dues of industry associations; interest on fund borrowings; postage; insurance premiums on property or personnel (including officers and directors/trustees) of the funds which inure to its benefit; extraordinary expenses (including, but not limited to, legal claims and liabilities and litigation costs and any indemnification relating thereto); and all other costs of the funds' operation

\*\* The "Total Annual Fund Operating Expenses" may exceed the sum of the Advisory Fee, Distribution and Service Fees, and Other Expenses if the fund invests in another investment company. The difference represents the fund's pro rata portion of that other investment company's expenses.

**Active Assets Money Trust** pays monthly an advisory fee calculated by applying the following annual rates to the net assets of the fund, determined as of the close of business on every business day: 0.45% of the daily net assets not exceeding \$250 million; 0.375% of the daily net assets exceeding \$250 million but not exceeding \$750 million; 0.325% of the daily net assets exceeding \$750 million but not exceeding \$1.25 billion; 0.30% of the daily net assets exceeding \$1.25 billion but not exceeding \$1.5 billion; 0.275% of the daily net assets exceeding \$1.5 billion but not exceeding \$1.75 billion; 0.25% of the daily net assets exceeding \$1.75 billion but not exceeding \$2.25 billion; 0.225% of the daily net assets exceeding \$2.25 billion but not exceeding \$2.75 billion; 0.20% of the daily net assets exceeding \$2.75 billion but not exceeding \$15 billion; 0.199% of the daily net assets exceeding \$15 billion but not exceeding \$17.5 billion; 0.198% of the daily net assets exceeding \$17.5 billion but not exceeding \$25 billion; 0.197% of the daily net assets exceeding \$25 billion but not exceeding \$30 billion; and 0.196% of the daily net assets exceeding \$30 billion.

**Active Assets Government Securities Trust** pays monthly an advisory fee calculated by applying the following annual rates to the net assets of the fund, determined as of the close of business on every business day: 0.45% of the daily net assets not exceeding \$500 million; 0.375% of the daily net assets exceeding \$500 million but not exceeding \$750 million; 0.325% of the daily net assets exceeding \$750 million but not exceeding \$1 billion; 0.30% of the daily net assets exceeding \$1 billion but not exceeding \$1.5 billion; 0.275% of the daily net assets exceeding \$1.5 billion but not exceeding \$2 billion; 0.25% of the daily net assets exceeding \$2 billion but not exceeding \$2.5 billion; 0.225% of the daily net assets exceeding \$2.5 billion but not exceeding \$3 billion; and 0.20% of the daily net assets exceeding \$3 billion.

**Each of Active Assets Institutional Government Securities Trust and Active Assets Institutional Money Trust** pays monthly an advisory fee amounting to 0.10% of each fund's average daily net assets. For Active Assets Institutional Government Securities Trust and Active Assets Institutional Money Trust, the funds' investment adviser and administrator have agreed, under each respective investment advisory agreement and administration agreement, to assume fund operating expenses (except for brokerage fees) and to waive the compensation provided under each agreement to the extent such operating expenses and compensation exceed on an annualized basis 0.20% of the average daily net assets of the Fund.

**Morgan Stanley Liquid Asset Fund Inc.** pays monthly an advisory fee calculated daily by applying the following annual rates to the net assets of the fund, determined as of the close of business on every business day: 0.45% of the portion of the daily net assets not exceeding \$250 million; 0.375% of the portion of the daily net assets exceeding \$250 million but not exceeding \$750 million; 0.325% of the portion of the daily net assets exceeding \$750 million but not exceeding \$1.25 billion; 0.30% of the portion of the daily net assets exceeding \$1.25 billion but not exceeding \$1.5 billion; 0.275% of the portion of the daily net assets exceeding \$1.5 billion but not exceeding \$1.75 billion; 0.25% of the portion of the daily net assets exceeding \$1.75 billion but not exceeding \$2.25 billion; 0.225% of the portion of the daily net assets exceeding \$2.25 billion but not exceeding \$2.75 billion; 0.20% of the portion of the daily net assets exceeding \$2.75 billion but not exceeding \$15 billion; 0.199% of the portion of daily net assets exceeding \$15 billion but not exceeding \$17.5 billion; 0.198% of the portion of the daily net assets exceeding \$17.5 billion but not exceeding \$25 billion; 0.197% of the portion of the daily net assets exceeding \$25 billion but not exceeding \$30 billion; and 0.196% of the portion of the daily net assets exceeding \$30 billion.

**Morgan Stanley U.S. Government Money Market Trust** pays monthly an advisory fee calculated daily by applying the following annual rates to the net assets of the Fund, determined as of the close of business on every business day: 0.45% of the portion of the daily net assets not exceeding \$500 million; 0.375% of the portion of the daily net assets exceeding \$500 million but not exceeding \$750 million; 0.325% of the portion of the daily net assets exceeding \$750 million but not exceeding \$1 billion; 0.30% of the portion of the daily net assets exceeding \$1 billion but not exceeding \$1.5 billion; 0.275% of the portion of the daily net assets exceeding \$1.5 billion but not exceeding \$2 billion; 0.25% of the portion of the daily net assets exceeding \$2 billion but not exceeding \$2.5 billion; 0.225% of the portion of the daily net assets exceeding \$2.5 billion but not exceeding \$3 billion; and 0.20% of the portion of the daily net assets exceeding \$3 billion.

**Exhibit B: CG IAR Research Status of Certain Investment Products in the  
Access, Vision, Personal Portfolio, Fund Solution, Institutional Consulting Group and  
Fiduciary Asset Management Programs**

See the “Selection of Investment Managers and Funds for the Programs” section of this Disclosure Document for an explanation of the CG IAR statuses. This list is currently as of the date this Disclosure Document was prepared. For a more up-to-date list, please go to [www.morganstanleyindividual.com/accountoptions/managedmoney/manager/default.asp](http://www.morganstanleyindividual.com/accountoptions/managedmoney/manager/default.asp) or ask your Financial Advisor or Private Wealth Advisor. If you need assistance identifying your investment product in the table below, please ask your Financial Advisor or Private Wealth Advisor.

In this table:

SMA = separately managed account

MF = mutual fund

ADR = American Depositary Receipts

OR = ordinary shares

***Please consider the investment objectives, risks, charges and expenses of the any of the funds listed below carefully before investing. The prospectus contains this and other information about the fund and can be obtained by contacting your Financial Advisor or Private Wealth Advisor. Please read the prospectus carefully before investing.***

Product	SMA/MF	Status	Product	SMA/MF	Status
A.R. Schmeidler Multi Cap Equity	SMA	Focus	AllianceBernstein Strategic Research	SMA	Focus
Aberdeen Core Fixed Income	SMA	Approved	AllianceBernstein Strategic Research Large Cap Core Balanced	SMA	Focus
Aberdeen Core Plus Fixed Income	SMA	Approved	Allianz Global Investors CCM Mid Cap Fund	MF	Approved
Aberdeen Equity Long-Short Fund	MF	Approved	Allianz Global Investors NFJ Large Cap Value Fund	MF	Approved
Active Investment Advisors S&P 1500 Tax Managed	SMA	Approved	Allianz NFJ Large Cap Value fund	MF	Approved
Active Investment Advisors S&P 400 Tax Managed	SMA	Approved	Alpha Hedged Strategies Fund	MF	Approved
Active Investment Advisors S&P 500 Tax Managed	SMA	Approved	Alpine Dynamic Dividend Fund	MF	Approved
Active Investment Advisors S&P 600 Tax Managed	SMA	Approved	Alpine Woods International Real Estate Fund	MF	Approved
Active Investment Advisors S&P ADR Tax Managed	SMA	Approved	American Century Growth Fund	MF	Approved
Advanced Investment Partners All Cap Equity	SMA	Approved	American Century International Growth Fund	MF	Approved
Advanced Investment Partners Large Cap Equity	SMA	Focus	American Century Large Company Value Fund	MF	Approved
Advanced Investment Partners SMID Cap	SMA	Focus	American Funds American Balanced Fund	MF	Approved
Advanced Investment Partner Socially Responsible Large Cap Equity	SMA	Approved	American Funds Bond Fund of America	MF	Approved
Advent Capital Mgmt Convertibles	SMA	Approved	American Funds Capital World Bond Fund	MF	Approved
Advent Capital Mgmt Convertibles (Yield Focused)	SMA	Approved	American Funds Capital World Growth & Income Fund	MF	Approved
Advisory Research Small Cap Value	SMA	Approved	American Funds EuroPacific Growth Fund	MF	Approved
Advisory Research Small Mid Cap Value	SMA	Approved	American Funds Fundamental Investors Fund	MF	Approved
Invesco AIM Capital Development Fund	MF	Approved	American Funds Growth Fund of America	MF	Approved
Invesco AIM Developing Markets Fund	MF	Approved	American Funds Tax Exempt Bond Fund of America	MF	Focus
Invesco AIM European Growth Fund	MF	Approved	American Funds Washington Mutual Fund	MF	Approved
Invesco AIM Global Real Estate Fund	MF	Focus	American High Income Trust Fund	MF	Focus
Invesco AIM Global Small & Mid Cap Growth Fund	MF	Approved	Anchor Balanced Value	SMA	Approved
Invesco AIM International Growth Fund	MF	Approved	Anchor Capital Mid Cap Value	SMA	Focus
Invesco AIM Large Cap Growth Fund	MF	Approved	Apex Capital Management Small/Mid Growth	SMA	Approved
Invesco AIM Mid Cap Core Fund	MF	Approved	Apex Capital Management Large Growth	SMA	Approved
Invesco AIM Trimark Small Companies Fund	MF	Approved	Appleton Partners Intermediate Municipal Bond Portfolio	SMA	Approved
AIP All Cap Equity	SMA	Approved	Appleton Partners Large Cap Growth Equity	SMA	Approved
Aletheia Multi Cap Growth Equity	SMA	Approved	AQR Diversified Arbitrage Fund	MF	Approved
Alger Capital Appreciation Institutional Fund	MF	Approved	Armstrong Shaw Associates Large Cap Value	SMA	Approved
Alger Mid Cap Growth Fund	MF	Focus	Artio International Equity I Fund	MF	Focus
Alger Small Cap Growth Fund	MF	Focus	Artio International Equity II Fund	MF	Focus
AllianceBernstein Global Value ADR	SMA	Approved	Artisan Emerging Markets Fund	MF	Approved
AllianceBernstein International Equity	SMA	Approved	Artisan International Fund	MF	Focus
AllianceBernstein International Growth Fund	MF	Approved	Artisan Mid Cap Value Fund	MF	Focus
AllianceBernstein International Value ADR	SMA	Approved	Ashfield Capital Partners Balanced Large Cap Growth	SMA	Approved
AllianceBernstein International Value Fund	MF	Approved	Ashfield Capital Partners Large Cap Growth Equity	SMA	Approved
AllianceBernstein Municipal Income CA Fund	MF	Approved	Ashfield Capital Partners Small Cap Growth Equity	SMA	Approved
AllianceBernstein Municipal Income FL Fund	MF	Approved	Ashfield Capital Partners Tax-Efficient Large Cap Growth Equity	SMA	Approved
AllianceBernstein Municipal Income NY Fund	MF	Approved	Aston/Montag & Caldwell Growth Fund	MF	Focus
AllianceBernstein Small Cap Growth Fund	MF	Approved	Aston/Optimum Mid Cap Fund	MF	Approved
AllianceBernstein Small Mid Cap Growth Fund	MF	Approved			

Product	SMA/MF	Status
Atalanta Sosnoff Balanced	SMA	Focus
Atalanta Sosnoff Large Cap Equity	SMA	Focus
Atlanta Capital Management High Quality SMID Core	SMA	Focus
Atlanta High Quality Growth Plus	SMA	Approved
Baird Advisors Core Fixed Income	SMA	Focus
Baird Market Duration Fixed Income	SMA	Approved
Baron Small Cap Fund	MF	Focus
Becker Capital Management Broad Cap Value Equity	SMA	Approved
BlackRock Bond Fund	MF	Approved
BlackRock Equity Dividend Fund	MF	Approved
BlackRock Fundamental Core Taxable Fixed Income	SMA	Approved
BlackRock Global Allocation Fund	MF	Approved
BlackRock High Yield Fund	MF	Focus
BlackRock Inflation Protected Bond Portfolio (Fund)	MF	Approved
Blackrock Intermediate Duration Bond	SMA	Focus
Blackrock Intermediate Muni – SMA	SMA	Approved
Blackrock Intermediate Taxable Fixed Income	SMA	Approved
BlackRock International Opportunities Portfolio (Fund)	MF	Approved
BlackRock International Value Fund	MF	Approved
BlackRock Large Cap Core	SMA	Approved
BlackRock Large Cap Value	SMA	Approved
BlackRock Large Cap Core Fund	MF	Approved
BlackRock Long-Term Municipal Fixed Income	SMA	Approved
BlackRock Low Duration Fund	MF	Focus
BlackRock Managed Account Core Bond	SMA	Focus
BlackRock Managed Account Short Duration	SMA	Focus
BlackRock Mid Cap Value Fund	MF	Approved
BlackRock Short-Term Municipal Fixed Income	SMA	Approved
BlackRock Short-Term Taxable Fixed Income	SMA	Approved
BlackRock Total Return II Fund	MF	Focus
BlackRock U.S. Opportunities Fund	MF	Approved
Boston Co Asset Mgmt US Large Cap Value Equity	SMA	Approved
Boston Trust Small Cap Equity	SMA	Approved
Boyd Watterson Intermediate Fixed Income	SMA	Approved
Boyd Watterson Ultra Enhanced Core	SMA	Approved
Brandes Emerging Markets Equity ORD	SMA	Approved
Brandes Global Balanced	SMA	Approved
Brandes Global Equity	SMA	Focus
Brandes Global Equity ADR	SMA	Focus
Brandes Global Equity ORD	SMA	Focus
Brandes Global Mid Cap	SMA	Approved
Brandes Global Mid Cap (ADR)	SMA	Approved
Brandes International Equity ADR	SMA	Focus
Brandes International Equity ORD	SMA	Focus
Brandes International Value Equity Fund	MF	Focus
Brandes U.S. Value Equity	SMA	Focus
Brandywine Balanced Value	SMA	Approved
Brandywine Blue Fund	MF	Focus
Brandywine Fund	MF	Focus
Brandywine International Fixed Income	SMA	Approved
Brandywine Investment Global Fixed Income	SMA	Approved
Brandywine Small Cap Value II	SMA	Approved
Brandywine Traditional Large Cap Value (Affiliated Only)	SMA	Approved
Broadmark Asset Management Forward Tactical Growth	SMA	Approved

Product	SMA/MF	Status
Broad Market Enhanced Fixed Income	SMA	Approved
Broadmark Asset Management – Forward Tactical Growth Fund	MF	Approved
Breckinridge Capital Advisors Intermediate Term Municipal Fixed Income	SMA	Approved
Buckhead Small-Mid Cap Value Equity	SMA	Approved
Cadinha & Co Conservative Balanced	SMA	Approved
Cadinha & Co Equity	SMA	Approved
Calamos Convertible Fund	MF	Focus
Calamos Convertible Unrestricted Institutional	SMA	Focus
Calamos Convertibles – Investment Grade	SMA	Approved
Calamos Convertibles – Unrestricted	SMA	Approved
Calamos Growth & Income Fund	MF	Focus
Calamos Growth Equity	SMA	Focus
Calamos Growth Fund	MF	Focus
Calamos High Yield Fixed Income	SMA	Approved
Calamos High Yield Fund	MF	Approved
Calamos Investments High Yield Fixed Income	SMA	Approved
Calamos Market Neutral Income Fund	MF	Focus
Cambiar Conquistador Fund	MF	Focus
Cambiar International Equity ADR	SMA	Approved
Cambiar Investment Small Cap Value	SMA	Focus
Cambiar Large Cap Value	SMA	Focus
Cambiar Opportunity Fund	MF	Focus
Cambiar Small Cap Value	SMA	Focus
Cambridge Core Equity	SMA	Approved
Capital Guardian PIM Global Equity	SMA	Approved
Capital Guardian PIM Large Cap Core Equity	SMA	Approved
Capital Guardian PIM Non-US Equity	SMA	Approved
Caprin Intermediate Term Municipal Fixed Income (National)	SMA	Approved
Caprin State Specific Intermediate Duration Tax Exempt	SMA	Approved
Capstone Fixed Income	SMA	Approved
Causeway International Value Fund	MF	Focus
Chartwell Intermediate Fixed Income	SMA	Approved
Chartwell Premium Yield Equity	SMA	Approved
Chartwell US Equity	SMA	Approved
Chartwell Value Fixed Income	SMA	Approved
Chase Investment Counsel Large Growth Equity	SMA	Focus
Churchill Specialty Equity	SMA	Approved
Cincinnati Asset Mgmt Broad Market Fixed Income	SMA	Approved
Cincinnati Domestic High Yield Fixed Income	SMA	Approved
Cincinnati Investment Grade Fixed Income	SMA	Approved
ClearBridge Advisors All Cap Growth Equity	SMA	Approved
ClearBridge Advisors Multi Cap Growth Equity	SMA	Focus
ClearBridge All Cap Value Equity	SMA	Focus
ClearBridge Dividend Strategy	SMA	Approved
ClearBridge – LMPPG Small Cap Value	SMA	Approved
ClearBridge Opportunity Equity	SMA	Focus
Cohen & Steers Dividend Value Fund	MF	Approved
Cohen & Steers Exchange-Traded Preferred Securities	SMA	Approved
Cohen & Steers International Realty Fund	MF	Approved
Cohen & Steers Realty Shares Fund	MF	Approved
Columbia International Value CL A Fund	MF	Focus
Columbia Marsico Growth Fund	MF	Focus
Columbia Marsico International Opportunities Fund	MF	Focus



Product	SMA/MF	Status
Columbia Mid Cap Value Fund	MF	Approved
Columbia Partners Small Cap Core	SMA	Focus
Columbia Select Large Cap Growth	SMA	Focus
Columbia Select Large Cap Growth Fund	MF	Focus
Columbia Select Small Cap Fund	MF	Approved
Columbus Circle Investors Large Cap Growth Equity	SMA	Approved
Columbus Circle Mid Cap Growth Equity	SMA	Approved
Congress Asset Management Large Cap Growth	SMA	Approved Focus
Congress Asset Management Large Cap Growth Balanced (Gov't Only)	SMA	Focus
Congress Asset Management Mid Cap Growth	SMA	Focus
Congress Asset Mgmt Balanced Growth (Govt/Intermediate)	SMA	Approved
Congress Municipal Balanced Growth	SMA	Approved
Connors Investors Services Hedged Growth Equity	SMA	Approved
Cornerstone Concentrated Equity	SMA	Approved
Cornerstone Large Cap Core Equity	SMA	Approved
Cramer Rosenthal McGlynn Large Cap Opportunity	SMA	Approved
Cramer Rosenthal McGlynn Mid Cap Value	SMA	Focus
Crawford Dividend Growth	SMA	Approved
CRM Small/Mid Cap	SMA	Approved
CS McKee Aggregate Fixed Income	SMA	Approved
Cumberland Advisors Total Return Municipal Bonds	SMA	Approved
Davidson & Garrard Large Cap Core	SMA	Approved
Davidson & Garrard Large Cap Core Balanced	SMA	Approved
Davis Advisors All Cap Core	SMA	Focus
Davis Advisors Large Cap Value	SMA	Focus
Davis Advisors Opportunity Fund	MF	Approved
Davis Advisors Real Estate Fund	MF	Approved
Davis Hamilton Jackson & Associates – Davis Hamilton Jackson & Associates Balanced	SMA	Approved
Davis Hamilton Jackson & Associates – Davis Hamilton Jackson & Associates Fixed Income Intermediate	SMA	Approved
Davis Hamilton Jackson & Associates – Davis Hamilton Jackson & Associates Quality Growth Equity	SMA	Approved
Davis NY Venture Fund	MF	Focus
Davis Real Estate Fund	MF	Approved
Davis Opportunity Fund	MF	Approved
Davis Real Estate Securities	SMA	Approved
Delaware Diversified Income	MF	Approved
Delaware International Equity ADR	SMA	Focus
Delaware International Value Equity Fund	MF	Approved
Delaware Investments Delaware Trend Fund	MF	Approved
Delaware Investments Large Cap Growth Equity	SMA	Focus
Delaware Investments Small Cap Value	SMA	Focus
Delaware Investments Small/Mid Cap Growth Equity	SMA	Approved
Delaware Investments Tax Free USA Intermediate Fund	MF	Approved
Delaware Investments US Growth Fund	MF	Focus
Delaware Large Cap Value Equity	SMA	Approved
Delaware Limited Term Diversified Income	MF	Approved
Delaware Small Cap Value Fund	MF	Focus
Delaware Small Cap Growth Fund	MF	Approved
Delaware Tax-Free USA Intermediate Fund	MF	Approved
Delaware Trend Fund	MF	Approved
Delaware Value Fund	MF	Approved
Diamond Hill Long/Short Fund	MF	Focus
Dorsey Wright Systematic Relative Strength Core	SMA	Approved
Dreman Large Cap Value Equity	SMA	Approved

Product	SMA/MF	Status
Dreman Small Cap Value Equity	SMA	Approved
Dreyfus Appreciation Fund	MF	Focus
Dreyfus Newton International Equity Fund	MF	Focus
Dreyfus Premier Strategic Value Fund	MF	Approved
Dreyfus S & P 500 Index Fund	MF	Approved
Dreyfus Strategic Value Fund	MF	Approved
Dreyfus/Boston Co Small Mid Growth Fund	MF	Approved
Dwight Asset Mgmt Intermediate Fixed Income Fund	MF	Approved
DWS Core Fixed Income Fund	MF	Approved
DWS Dreman Small Cap Value Fund	MF	Approved
DWS Intermediate Tax-AMT Free Fund	MF	Approved
DWS Large Cap Value Fund	MF	Approved
DWS RREEF Real Estate Securities Fund	MF	Focus
DWS Short Duration Fund	MF	Approved
DWS Short Term Municipal Bond Fund	MF	Approved
Eagle Asset Management High Quality Taxable	SMA	Approved
Eagle Asset Management Large Cap Growth Equity	SMA	Approved
Eagle Asset Mgmt Small Cap Growth Equity	SMA	Approved
Eagle Asset Management Small Growth	SMA	Approved
Eagle Asset Mgmt Special Fixed Income	SMA	Approved
Eagle Capital All Cap Core Equity	SMA	Focus
Eagle Capital Multi Cap Core Equity	SMA	Focus
Eagle Global International ADR	SMA	Approved
Earnest Partners Mid Cap Value	SMA	Approved
Earnest Partners Small/Mid Cap Value	SMA	Approved
Eaton Vance Armored Wolf Commodity Strategy Fund	MF	Approved
Eaton Vance Enhanced Income	SMA	Approved
Eaton Vance Floating Rate Fund	MF	Approved
Eaton Vance Global Macro Absolute Return Fund	MF	Approved
Eaton Vance High Yield Municipal Fund	MF	Focus
Eaton Vance Income of Boston Fund	MF	Focus
Eaton Vance Intermediate Term Municipal Bond	SMA	Approved
Eaton Vance International Tax Managed Fund	MF	Approved
Eaton Vance Large Cap Value	SMA	Focus
Eaton Vance Large Cap Value Fund	MF	Focus
Eaton Vance Long Term Municipal Bond	SMA	Approved
Eaton Vance National Muni Bond	SMA	Approved
Eaton Vance National Municipals Fund	MF	Approved
Eaton Vance Short Municipal Bond	SMA	Approved
Eaton Vance Tax Advantaged Bond Strategies Long Maturity	SMA	Approved
Eaton Vance Tax Advantage Bond Strategy Limited	SMA	Approved
Eaton Vance Tax Advantage Bond Strategy Long	SMA	Approved
Eaton Vance Tax Managed 1.2 Growth Fund	MF	Approved
Eaton Vance Tax Managed International Equity Fund	MF	Approved
Emerging Markets Equity Fund	MF	Approved
Epoch Investment Partners U.S. All Cap Value Equity	SMA	Approved
Equity Inv Corp All Cap Value	SMA	Approved
Essex Small/Mid Cap Growth	SMA	Approved
Estabrook Balanced Core Value	SMA	Approved
Estabrook U.S. Equity Large Cap Core Value	SMA	Approved
Evergreen International Equity Fund	MF	Approved
Evercore Small Cap Core	SMA	Approved
Evercore Small Cap Value	SMA	Approved
Fairview Capital Investment Mgmt Taxable Equity	SMA	Approved

Product	SMA/MF	Status
Fayez Sarofim Large Cap Core Growth	SMA	Focus
Federated Bond Fund	MF	Approved
Federated Clover Investment Advisors All Cap Value	SMA	Focus
Federated Clover Investment Advisors Balanced	SMA	Approved
Federated Clover Investment Advisors Small Cap Value	SMA	Approved
Federated Kaufmann Small Cap Growth Fund	MF	Approved
Federated Prudent Bear Fund	MF	Approved
Federated Strategic Value	SMA	Approved
Federated Strategic Value Fund	MF	Approved
Fidelity Adv Diversified International Fund	MF	Approved
Fidelity Adviser New Insight Fund	MF	Approved
Fidelity Advisor Leveraged Company Stock	MF	Approved
Fidelity Advisor Mid Cap Fund	MF	Approved
Fidelity Advisor New Insights Fund	MF	Approved
Fidelity Advisor Small Cap Fund	MF	Approved
Fidelity Leveraged Company Stock Fund	MF	Approved
Fidelity Mid Core Fund	MF	Approved
Fiduciary Trust Intermediate Term Municipal Fixed Income	SMA	Approved
Fifth Third All Cap Value	SMA	Approved
Fifth Third All Cap Value Fund	MF	Approved
First American Real Estate Fund	MF	Approved
First Eagle Global Research Fund	MF	Approved
First Eagle Global Research Fund	MF	Approved
First Eagle Overseas Fund	MF	Approved
Flippin, Bruce & Porter Large Cap Value Balanced	SMA	Approved
Forward Broadmark Tactical Growth	SMA	Approved
Forward Emerging Markets Fund	MF	Approved
Forward Hoover Small Cap Equity Fund	MF	Focus
Forward Uniplan Equity REIT	SMA	Approved
Forward Uniplan Micro Cap Equity	SMA	Approved
Fox Asset Mgmt Balanced (Value/Intermediate)	SMA	Approved
Fox Asset Mgmt Large Cap Value Equity	SMA	Approved
Fox Asset Mgmt NGC Dividend Yield Strategy	SMA	Approved
Fox Asset Mgmt Small Cap Value Equity	SMA	Approved
Fox Intermediate Term Fixed Income	SMA	Approved
Franklin All Cap Growth Equity	SMA	Approved
Franklin CA Intermediate Tax Free Fund	MF	Focus
Franklin Federal Intermediate Tax Free Fund	MF	Focus
Franklin Gold and Precious Metals Fund	MF	Approved
Franklin Mutual Advisors Mutual European Fund	MF	Focus
Franklin NY Intermediate Tax Free Fund	MF	Focus
Franklin Portfolio Advisors Intermediate Municipal Fixed Income	SMA	Approved
Franklin Portfolio Advisors Intermediate Term Fixed Income	SMA	Approved
Franklin Portfolio Advisors Small Cap Growth	SMA	Approved
Franklin Small Cap Value Fund	MF	Approved
Franklin Templeton CA Interim Tax Free Fund	MF	Focus
Franklin Templeton Convertibles Securities Fund	MF	Focus
Franklin Templeton Foreign Fund	MF	Approved
Franklin Templeton Intermediate Fixed Income (Opportunistic Core Plus)	SMA	Approved
Franklin Templeton Intermediate Term Fixed Income (Core)	SMA	Approved
Franklin Templeton International Equity ORD	SMA	Approved
Franklin Templeton International Equity (Ordinary Shares)	SMA	Approved
Franklin Templeton Large Cap Value – Yield Focus	SMA	Approved

Product	SMA/MF	Status
Franklin Templeton Large Cap Value Balanced	SMA	Approved
Franklin Templeton Large Cap Value Balanced – Municipal	SMA	Approved
Franklin Templeton NY Interim Tax Free Fund	MF	Focus
Franklin Templeton Real Return Fund	MF	Approved
Franklin Templeton Small Cap Value Fund	MF	Approved
Franklin Total Return Fund	MF	Approved
Fred Alger Mid Cap Growth	MF	Focus
Fred Alger Small/Mid Cap Growth Equity	SMA	Approved
Fred Alger SMID Cap Growth Fund	MF	Approved
Friess Associates All Cap Growth	SMA	Focus
Friess Associates Large Cap Growth	SMA	Focus
Frontier Capital Management Mid Growth	SMA	Focus
Frontier Capital Management Mid Cap Growth Equity	SMA	Focus
Frontier Capital Management Small Value	SMA	Focus
Gabelli All Cap Value Equity	SMA	Approved
Gabelli Equity Income Fund	MF	Approved
Galliard Capital Broad Market Core	SMA	Focus
Galliard Capital Intermediate Term Fixed Income	SMA	Focus
Galliard Capital Mgmt Intermediate Term Fixed Income	SMA	Approved
Galliard Capital Short Term Full Discretion	SMA	Focus
GAMCO Gold Fund	MF	Approved
GAMCO Growth Fund	MF	Approved
Gannett Welsh & Kotler Small Cap Equity	SMA	Approved
Gannett Welsh & Kotler Municipal Bond Strategy	SMA	Approved
GCIM Value Core International Equity ADR	SMA	Approved
Geneva Advisors All Cap Growth	SMA	Approved
Geneva Advisors (Investment Mgt, Inc) All Cap Growth Equity	SMA	Approved
Geneva Capital Mgmt Mid Cap Growth Equity	SMA	Focus
Geneva Capital Mid Cap Growth Equity	SMA	Focus
Geneva Capital Small Cap Growth Equity	SMA	Approved
Global Currents International Equity ORD	SMA	Approved
Golden Capital Small Cap Core Equity	SMA	Approved
Golden Capital Small-Mid Core Equity	SMA	Approved
Golden Large Cap Core	SMA	Approved
Goldman Sachs Absolute Return Tracker Fund	MF	Approved
Goldman Sachs Asset Management Strategic Growth	SMA	Focus
Goldman Sachs BRIC Fund	MF	Approved
Goldman Sachs Emerging Debt Fund	MF	Approved
Goldman Sachs Enhanced Income Fund	MF	Approved
Goldman Sachs Growth Opportunities Fund	MF	Focus
Goldman Sachs High Yield Fund	MF	Approved
Goldman Sachs Mid Cap Value	SMA	Focus
Goldman Sachs Mid Cap Value Fund	MF	Focus
Goldman Sachs Real Estate Securities Fund	MF	Approved
Goldman Sachs Short Duration Government Fund	MF	Approved
Goldman Sachs Strategic Growth Fund	MF	Approved
Goldman Sachs US Mid Cap Value	SMA	Focus
Great Lakes Advisors Large Cap Value Equity	SMA	Approved
Greenwood Capital Large Cap Conservative Growth	SMA	Approved
Grisanti Brown & Partners LLC Core Value	SMA	Approved
Groesbeck Investment Management Crop Growth of Income	SMA	Approved
GW Capital Small Cap Equity	SMA	Focus
GW Capital Small Cap Value Equity	SMA	Focus
GW Capital Small Mid Cap Value Equity	SMA	Focus

Product	SMA/MF	Status
GW Capital Small to Mid Cap Equity	SMA	Focus
Hancock Horizon Large Cap Core	SMA	Approved
Hancock Horizon Large Cap Growth	SMA	Approved
Hancock Horizon Large Cap Value	SMA	Approved
Hansberger Emerging Markets ADR Equity	SMA	Approved
Hansberger International Value ADR	SMA	Focus
Harding Loevner Emerging Markets Fund	MF	Focus
Harding Loevner Global Equity ADR	SMA	Approved
Harding Loevner International Equity ADR	SMA	Focus
Harding Loevner International Equity Fund	MF	Focus
Hartford Growth Fund	MF	Focus
Hartford Growth Opportunity Fund	MF	Approved
Haverford Quality Growth	SMA	Approved
Hays Advisory Conservative Growth Equity	SMA	Approved
Hays Advisory Global ETF (Tactical)	SMA	Approved
Hays Advisory Long Term Growth	SMA	Approved
Hays Advisory Moderate Growth	SMA	Approved
Henderson Global Equity Income ADR	SMA	Approved
Henderson Global Equity Income Fund	MF	Approved
Henderson International Equity ADR	SMA	Approved
Henderson International Opportunities Fund	MF	Focus
Hennessy Focus 30 Fund	MF	Approved
Hexavest International ADR	SMA	Approved
HGK Asset Management Large Cap Value	SMA	Focus
HGK Asset Management Small Cap Value	SMA	Approved
HGK Equity Value Fund	MF	Focus
Highbridge Statistical Market Neutral Fund	MF	Focus
Hillswick Intermediate Term Fixed Income	SMA	Approved
Hillswick Intermediate Term Fixed Income (Aggressive)	SMA	Approved
Hillswick Long Term Fixed Income	SMA	Approved
Hoover Investment Mgmt Small Cap	SMA	Approved
Horizon Asset Management Core Value	SMA	Approved
Horizon Asset Management Inc. Multi Cap Value Equity	SMA	Approved
ING Clarion Global Real Estate Securities	SMA	Focus
ING Global Real Estate Fund	MF	Focus
ING High Yield Fixed Income	SMA	Approved
ING Intermediate Term Fixed Income	SMA	Approved
ING Intermediate Term Municipal Fixed Income	SMA	Approved
ING Investment Management Core Fixed Income	SMA	Approved
ING Investment Mgmt. LLC Strategic Fixed Income (Enhanced)	SMA	Approved
ING Real Estate Securities	SMA	Focus
ING Strategic Fixed Income (Enhanced)	SMA	Approved
Invesco AIM Capital Development Fund	MF	Approved
Invesco Capital Development Fund	MF	Approved
Invesco AIM International Growth Equity ADR	SMA	Approved
Invesco AIM Large Cap Growth Fund	MF	Approved
Invesco AIM Mid Cap Core	SMA	Approved
INVECO Real Estate Securities	SMA	Focus
IQ Alpha Hedge Strategy Fund	MF	Approved
IVY Global Natural Resources Fund	MF	Focus
Ivy Large Cap Growth Fund	MF	Approved
James Capital Alliance US All Cap Balanced	SMA	Approved
James Capital U.S. 60-Plus All Cap Balanced	SMA	Approved
James Capital U.S. All Cap Balanced	SMA	Approved

Product	SMA/MF	Status
Janus Balanced Fund	MF	Approved
Janus Concentrated Growth	SMA	Approved
Janus Enterprise Fund	MF	Approved
Janus Forty Fund	MF	Approved
Janus Fund	MF	Approved
Janus High-Yield Fund	MF	Approved
Janus Mid Cap Growth	SMA	Approved
Janus Overseas Fund	MF	Focus
Janus Research Fund	MF	Focus
Jennison Associates Large Cap Growth	SMA	Focus
Prudential Growth Fund	MF	Approved
Prudential Mid Cap Growth Fund	MF	Approved
Prudential Global Real Estate Fund	MF	Focus
Prudential Natural Resources Fund	MF	Approved
Prudential Short Term Corporate Bond Fund	MF	Focus
Prudential JennisonDryden Small Company Fund	MF	Approved
Jennison Large Cap Value Equity	SMA	Approved
Jensen Portfolio Fund	MF	Approved
John Hancock Classic Value Fund	MF	Approved
John Hancock Global Shareholder Yield Fund	MF	Approved
JP Morgan Global Equity ADR	SMA	Approved
JP Morgan Intermediate Municipal Bond	SMA	Approved
JP Morgan International Equity ADR	SMA	Approved
JP Morgan International Equity Fund	MF	Approved
JP Morgan Intrepid European Fund	MF	Approved
JP Morgan US Large Cap Core Plus Fund	MF	Focus
JP Morgan Value Advantage Fund	MF	Approved
JPMorgan Dynamic Small Cap Growth Fund	MF	Approved
JP Morgan Fleming Asset Management Core Bond	SMA	Approved
JPMorgan Highbridge Dynamic Commodities Strategy Fund	MF	Approved
JPMorgan Intermediate Tax-Free Bond Fund – F	MF	Approved
JPMorgan International Value Fund	MF	Focus
JPMorgan Intrepid Multi Cap Fund	MF	Approved
JPMorgan Intrepid Multi-Cap Core	SMA	Approved
JPMorgan Intrepid Value Fund	MF	Approved
JP Morgan MBS Fund Research	MF	Approved
JPMorgan Mid Cap Value	SMA	Approved
JPMorgan Mid Cap Value Fund	MF	Approved
JPMorgan Value Advantage	SMA	Approved
Karpus Investment Management Fixed Income Management	SMA	Approved
Kayne Anderson Small Cap Quality Value	SMA	Approved
Kayne Anderson Small Cap Sustainable Growth	SMA	Approved
Kayne Anderson Small-Mid Cap Core	SMA	Approved
Keeley Small Cap Value Fund	MF	Approved
Kennedy Mid Cap Value Equity	SMA	Approved
Knott Capital Management Large Cap Core Equity	SMA	Approved
Lateef Fund	MF	Approved
Lateef Investment Management All Cap GARP Equity	SMA	Focus
Lateef Investment Mgmt Growth Equity	SMA	Approved
Lazard Asset Mgmt US Equity Value	SMA	Approved
Lazard Emerging Markets Fund	MF	Focus
Lazard Emerging Markets Select ADR	SMA	Focus
Lazard Global Balanced	SMA	Approved
Lazard Global Equity Select ADR	SMA	Approved

Product	SMA/MF	Status
Lazard International Equity Select ADR	SMA	Approved
Lazard International Equity Select w/Emerging Markets ADR	SMA	Approved
Lazard Mid Cap Value Equity	SMA	Approved
Lazard US Equity Select Large Cap Value	SMA	Approved
Legg Mason – LMPGG Balanced Income w/Muni	SMA	Approved
Legg Mason – LMPPG Traditional Large Cap Value Balanced	SMA	Approved
Legg Mason Capital Growth Trust Fixed Income fund	MF	Approved
Legg Mason Clearbridge Aggressive Growth Fund	MF	Focus
Legg Mason Clearbridge All Cap Value Balanced	SMA	Focus
Legg Mason Clearbridge Investors Value Fund	MF	Approved
Legg Mason Clearbridge Large Cap Value Fund	MF	Approved
Legg Mason Emerging Markets Trust Fund	MF	Focus
Legg Mason Fundamental Value Fund	MF	Focus
Legg Mason Global High Yield Bond Fund	MF	Approved
Legg Mason Global Opportunities Fund	MF	Approved
Legg Mason Intermediate Term Municipal Fixed Income Fund	MF	Focus
Legg Mason Intermediate Term Municipal Fund	MF	Approved
Legg Mason International Equity Trust Fund	MF	Focus
Legg Mason Partners Appreciation Fund	MF	Approved
Legg Mason Partners California Municipals Fund	MF	Approved
Legg Mason Partners Emerging Markets Trust Fund	MF	Approved
Legg Mason Partners Managed Municipals Fund	MF	Approved
Legg Mason Partners Municipal High Income Fund	MF	Approved
Legg Mason Partners New York Municipals Fund	MF	Approved
Legg Mason PPG LM WA CM Muni-SMA	SMA	Approved
Legg Mason Value Trust Fund	MF	Focus
Leuthold Weeden Capital Management Asset Allocation	SMA	Approved
Leuthold Weeden Capital Management Core Strategy	SMA	Approved
Logan Capital Mgmt Large Cap Growth Equity	SMA	Approved
Longfellow Investment Management Intermediate Duration Fixed Income	SMA	Approved
Longfellow Investment Management Short Duration Fixed Income	SMA	Approved
Loomis Sayles Bond Fund	MF	Focus
Loomis Sayles Core Fixed Income	SMA	Approved
Loomis Sayles Core Total Return	SMA	Approved
Loomis Sayles Growth Fund	MF	Approved
Loomis Sayles Investment Grade Bond Fund	MF	Approved
Loomis Sayles Large Cap Growth Equity	SMA	Approved
Loomis Sayles Small Cap Value Fund	MF	Focus
Loomis Sayles Small/Mid Equity	SMA	Focus
Lord Abbett & Co Convertible Fund	MF	Approved
Lord Abbett Affiliated Fund	MF	Approved
Lord Abbett Bond Debenture Fund	MF	Approved
Lord Abbett Developing Growth Fund	MF	Approved
Lord Abbett Developing Local Markets Fund	MF	Approved
Lord Abbett International Core Equity	SMA	Approved
Lord Abbett Large Cap Value Equity	SMA	Approved
Lord Abbett Multi Cap Value	SMA	Approved
Lord Abbett SMA Convertibles	SMA	Approved
Lord Abbett SMA Municipal	SMA	Approved
Luther King Capital Management Small Cap Core	SMA	Approved
MacKay Convertibles	SMA	Approved
MacKay Shields Core Investment Grade	SMA	Approved
Macquerie Allegiance Intermediate Aggregate Duration AAA Only	SMA	Approved

Product	SMA/MF	Status
Macquerie Allegiance Low Duration – Government Securities	SMA	Approved
Macquerie Allegiance Market Duration AAA Only	SMA	Approved
Macquerie Allegiance Short Term Fixed Income	SMA	Approved
Madison Intermediate Corporate Only	SMA	Approved
Madison Intermediate Fixed Income	SMA	Approved
Madison Intermediate Government Only	SMA	Approved
Madison Large Cap Core	SMA	Approved
Madison Mid Cap Core	SMA	Approved
Madison Mosaic Mid Cap Fund	MF	Approved
Madison Scottsdale	SMA	Approved
Mainstay High Yield Bond Fund	MF	Approved
Mainstay ICAP International Value Fund	MF	Approved
Mainstay ICAP Select Equity Fund	MF	Approved
MainStay Large Cap Growth Fund	MF	Focus
Managers AMG Systematic Mid Cap Value Fund	MF	Focus
Managers AMG Essex Small/Micro Cap Growth Fund	MF	Approved
Managers AMG Essex Small/Micro Growth Fund	MF	Approved
Managers AMG FQ Global Alternative Fund	MF	Focus
Managers AMG First Quadrant US Equity Fund	MF	Approved
Managers AMG Large Cap Growth Fund	MF	Approved
Managers AMG Times Square Mid Cap Growth Fund	MF	Focus
Managers Bond Fund	MF	Focus
Manning & Napier Core Equity – Unrestricted	SMA	Approved
Manning & Napier Non-U.S. Core Equity	SMA	Focus
Manning & Napier World Opportunities Fund	MF	Focus
Marsico Capital Mgmt/Columbia Mgmt All Cap Growth	SMA	Approved
Marsico Capital Mgmt/Columbia Mgmt Large Cap Growth	SMA	Focus
Matthews Asian Dividend Fund	MF	Approved
McDonnell Core Aggregate	SMA	Approved
McDonnell Intermediate Term Municipal Fixed Income (5 Year)	SMA	Approved
McDonnell Investment 1-3 Year Government Bond	SMA	Approved
McDonnell Investment Management – McDonnell Core Aggregate	SMA	Approved
McDonnell Medium Duration Municipal Bond Portfolio	SMA	Approved
McLean Budden Canadian Equity Core	SMA	Approved
McLean Budden Global Equity	SMA	Approved
McLean Budden International Equity Core	SMA	Approved
MDT Advisers All Cap Core	SMA	Focus
MDT Advisers All Cap Core Tax Aware	SMA	Focus
MDT Advisers Large Cap Growth	SMA	Focus
MDT Advisers Mid Cap Growth	SMA	Focus
MDT Advisers Small Cap Core	SMA	Focus
MDT Advisers Small Cap Value	SMA	Focus
MDT Advisers Small Growth	SMA	Focus
MDT All Cap Core	SMA	Focus
MDT All Cap Core Tax Aware	SMA	Focus
Metropolitan West Alpha Trak	SMA	Focus
Metropolitan West Intermediate Fixed Income	SMA	Focus
Metropolitan West Low Duration	SMA	Focus
Metropolitan West Total Return	SMA	Focus
Metropolitan West Total Return Bond Fund	MF	Focus
MetWest Large Cap Intrinsic Value Equity	SMA	Focus
MetWest Low Duration Bond Fund	MF	Approved
MFS International Equity ADR	SMA	Approved
MFS International Growth Fund	MF	Approved

Product	SMA/MF	Status
MFS Large Cap Value	SMA	Approved
MFS Limited Maturity Fund	MF	Approved
MFS Mass. Investors Trust Fund	MF	Approved
MFS Muni Limited Maturity Fund	MF	Approved
MFS Research International Fund	MF	Approved
MFS Total Return Fund	MF	Approved
MFS Value Fund	MF	Approved
Miller Howard Global Utilities + Infrastructure	SMA	Approved
Miller Howard Income Equity (with MLPs)	SMA	Approved
Miller Howard Income Equity (without MLPs)	SMA	Approved
Miller Howard MLP Strategy	SMA	Approved
Minneapolis All Cap Value	SMA	Approved
Montag & Caldwell Investment Counsel Large Cap Growth	SMA	Focus
Montag & Caldwell Large Cap Growth Balanced	SMA	Approved
Moody Aldrich Focused Value	SMA	Focus
Moody Aldrich Mid Cap Value	SMA	Focus
Moody Aldrich Small Cap Value	SMA	Focus
Invesco Equally Weighted S&P 500 Index Fund	MF	Approved
Morgan Stanley Global Strategist Fund	MF	Approved
Morgan Stanley Instit Funds Capital Opportunities Trust Fund	MF	Approved
Morgan Stanley Institutional Funds US Real Estate Fund	MF	Approved
Morgan Stanley Institutional Funds US Small Cap Value Fund	MF	Approved
Morgan Stanley Institutional Funds Capital Growth Fund	MF	Approved
Morgan Stanley Institutional Funds Focus Growth Fund	MF	Approved
Morgan Stanley Institutional Funds Trust US Mid Cap Value Fund	MF	Approved
Morgan Stanley Institutional Global Real Estate Fund	MF	Approved
Morgan Stanley Institutional Mid Cap Growth Fund	MF	Approved
Mid Cap Value Fund	MF	Approved
Invesco Small-Mid Cap Special Value Fund	MF	Approved
Morgan Stanley Strategist Fund	MF	Approved
Invesco U.S. Small Cap Value	SMA	Approved
Invesco Municipal Fixed Income	MF	Approved
Invesco Tax Exempt Securities Trust	MF	Approved
MSIF Active International Allocation Portfolio (Fund)	MF	Approved
MSIF Emerging Markets Fund	MF	Approved
MSIF International Equity Fund	MF	Approved
MSIF International Small Cap Fund	MF	Approved
MSIM Core Fixed Income Fund	MF	Approved
MSIM Core Plus Fixed Income Fund	MF	Approved
MSIM International Value Equity Fund	MF	Approved
MSIM Investment Grade Fixed Income Fund	MF	Approved
MSIM Limited Duration Fund	MF	Approved
Invesco NY Tax Free Fund	MF	Approved
MSIM US Government Securities Trust	MF	Approved
Munder All Cap Growth Equity	SMA	Approved
Munder Capital Mgmt Mid Cap Core Growth	SMA	Approved
Munder Mid Cap Core Growth Fund	MF	Approved
Munder Small Cap Value Fund	MF	Approved
Mutual European Fund	MF	Focus
Natixis ASG Global Alternatives Fund	MF	Approved
Neuberger Berman All Cap Core	SMA	Approved
Neuberger Berman All Cap Core (with MLPs)	SMA	Focus
Neuberger Berman Genesis Trust Fund	MF	Approved
Neuberger Berman International ADR	SMA	Approved

Product	SMA/MF	Status
Neuberger Berman International Large Cap Fund	MF	Approved
Neuberger Berman International Trust Fund	MF	Approved
Neuberger Berman Large Cap Disciplined Growth	SMA	Focus
Neuberger Berman Large Cap Disciplined Growth Fund	MF	Focus
Neuberger Berman Select Equity	SMA	Focus
Neuberger Berman Small Cap Growth Fund	MF	Approved
Neuberger Berman Socially Responsible Fund	MF	Approved
Neuberger Berman Socially Responsible Investing	SMA	Approved
Newgate Emerging Markets ADR Equity	SMA	Approved
Newgate Global Fixed Income	SMA	Approved
Newgate Global Resources	SMA	Focus
Newton Global Equity	SMA	Focus
Newton International Equity	SMA	Focus
NFJ All Cap Value Equity	SMA	Approved
NFJ Dividend Value	SMA	Focus
NFJ Large Cap Value	SMA	Approved
NFJ/Allianz All Cap Value Fund	MF	Approved
NFJ/Allianz Dividend Value Fund	MF	Focus
NFJ/Allianz International Value Fund	MF	Approved
NFJ/Allianz Large Cap Value Fund	MF	Approved
Northern Large Cap Value Fund	MF	Approved
Northern Trust Balanced Value	SMA	Approved
Northern Trust Large Cap Value	SMA	Approved
Northern Trust Small Cap Value Fund	MF	Approved
NorthRoad/DSM Capital Partners Large Cap Growth	SMA	Focus
NorthRoad/DSM Capital Partners SMID Cap Growth	SMA	Focus
Numeric Core	SMA	Focus
Nuveen All American Municipal Bond Fund	MF	Approved
Nuveen Connecticut Municipal Bond Fund	MF	Approved
Nuveen Intermediate Duration Muni Bond Fund	MF	Approved
Nuveen Intermediate Municipal Bond	SMA	Approved
Nuveen Limited Term Municipal Bond Fund	MF	Approved
Nuveen Municipal Long-Term Composite	SMA	Approved
Nuveen New Jersey Municipal Bond Fund	MF	Approved
Nuveen NWQ Large Cap Value Fund	MF	Focus
Nuveen NWQ Multi Cap Value Fund	MF	Focus
Nuveen Santa Barbara Dividend Growth Fund	MF	Approved
Nuveen Santa Barbara Growth Fund	MF	Approved
Nuveen Short Term Municipal Fixed Income	SMA	Approved
Nuveen Tradewinds Global All Cap Fund	MF	Focus
Nuveen Tradewinds International Value Fund	MF	Focus
Nuveen Tradewinds Value Opportunities Fund	MF	Focus
NWQ Large Cap Value Balanced	SMA	Approved
NWQ Large Cap Value Equity	SMA	Focus
NWQ Special Equity	SMA	Focus
Oakmark Fund	MF	Focus
Oakmark International Fund	MF	Focus
Oak Ridge Investments All Cap Growth	SMA	Approved
Oak Ridge Investments Large Cap Growth	SMA	Approved
Oak Ridge Investments Small/Mid Cap Growth	SMA	Approved
OFI Private Investments International ADR	SMA	Approved
OFI Private Investments International Equity	SMA	Approved
Old Mutual Analytic Defensive Equity Fund	MF	Approved
Old Mutual Analytic US long/Short Fund	MF	Approved

Product	SMA/MF	Status
Old Mutual TS&W Mid Cap Value Fund	MF	Focus
Oppenheimer Commodity Strategy Total Return Fund	MF	Approved
Oppenheimer Gold & Special Minerals Fund	MF	Approved
Oppenheimer International Bond Fund	MF	Approved
Oppenheimer International Growth Fund	MF	Focus
Oppenheimer Main Street Fund	MF	Approved
Opus Small Cap Value Equity	SMA	Approved
Orleans Capital Management Core Fixed Income "A"	SMA	Approved
O'Shaughnessey All Cap Core	SMA	Approved
O'Shaughnessey Asset Management Small-Mid Cap Growth	SMA	Approved
Pacific Income Advisors Limited Duration	SMA	Approved
Pacific Income Advisors Market Duration	SMA	Approved
Pacific Income Advisors Short-Term	SMA	Approved
Parametric (Eaton Vance) Tax Managed Lg Cap Value	SMA	Approved
Parametric Custom Passive Index	SMA	Approved
Parametric Enhanced Income Tax Advantage	SMA	Approved
Parametric Tax Managed Core S&P 500	SMA	Focus
Parametric Tax Managed Domini 400 Social Index	SMA	Approved
Parametric Tax Managed Large Cap Value	SMA	Approved
Parametric Tax Managed MSCI EAFE ADR	SMA	Approved
Parametric Vance Tax Managed Index – R3000	SMA	Focus
Payden & Rygel Core Bond	SMA	Approved
Payden & Rygel Global Bond Limited Currency	SMA	Approved
Penn Capital Distressed Total Return Fixed Income	SMA	Approved
Penn Capital Diversified MicroCap	SMA	Approved
Penn Capital Mid Cap Equity	SMA	Focus
Penn Capital Opportunistic High Yield Fixed Income	SMA	Focus
Penn Capital Small Cap Opportunistic	SMA	Focus
Penn Capital Small to Mid Cap Equity	SMA	Focus
Perimeter Small Cap Growth Fund	MF	Approved
Perkins Mid Cap Value Fund	MF	Approved
Perkins Small Cap Value Fund	MF	Approved
Philadelphia International Diversified Equity ORD	SMA	Focus
Philadelphia International Equity ADR	SMA	Focus
Philadelphia International Advisers International Equity Fund	MF	Focus
PIMCO Commodity Real Return Strategy Fund	MF	Focus
PIMCO Emerging Local Bond Fund	MF	Approved
PIMCO Emerging Markets Bond Fund	MF	Focus
PIMCO Foreign Bond Unhedged Fund	MF	Focus
PIMCO Foreign Bond US\$ Hedged Fund	MF	Focus
PIMCO Global Bond Fund	MF	Approved
PIMCO High Yield Fund	MF	Approved
PIMCO Low Duration Fund	MF	Focus
PIMCO Non-US Hedged	SMA	Focus
PIMCO Real Return Fund	MF	Focus
PIMCO Short-Term Fund	MF	Approved
PIMCO Total Return Core Plus	SMA	Focus
PIMCO Total Return Fund	MF	Focus
Piedmont Strategic Core	SMA	Approved
Pinnacle Associates Small to Mid Cap Equity	SMA	Approved
Pioneer Cullen Value Fund	MF	Approved
Pioneer Oak Ridge Large Cap Growth Fund	MF	Approved
Principal Large Cap Growth Fund	MF	Focus
Principal Preferred Securities Fund	MF	Approved

Product	SMA/MF	Status
Principal Real Estate Equity Securities	SMA	Approved
Principal Small Cap Value	SMA	Approved
Principal Spectrum Preferred Securities	SMA	Approved
Principal Spectrum Preferred (Tax Adv)	SMA	Approved
Principal Spectrum Preferred Securities – Tax Advantage	SMA	Approved
Prudential Global Real Estate Fund	MF	Approved
Prudential Small Cap Core Equity Fund	MF	Approved
Putnam Diversified Income	MF	Approved
Putnam Global Income Trust	MF	Approved
Putnam Income Fund	MF	Approved
Quest Large Cap Growth	SMA	Approved
Rainier Investment Management Core Equity	SMA	Approved
REMS Real Estate Value Opportunity Fund	MF	Approved
REMS Real Estate Value Opportunity Fund	MF	Approved
Red Granite Advisors Large Cap Growth	SMA	Approved
Reed Connor & Birdwell Large Cap Value	SMA	Approved
Reed Conner & Birdwell Small Cap Value	SMA	Approved
Renaissance 3-Way Tactical Asset Allocation	SMA	Approved
Renaissance Group Large Cap Growth Equity	SMA	Focus
Renaissance International Equity ADR	SMA	Approved
Riazzi Small-Mid Cap Value	SMA	Approved
Richmond Capital Management Core Government/Corporate Fixed Income	SMA	Approved
Riverbridge Eco Leaders	SMA	Approved
Riverbridge Partners Small Cap Growth	SMA	Focus
Riverbridge Partners SMID Cap Growth	SMA	Focus
Riverfront Asset Allocation Conservative Growth	SMA	Focus
Riverfront Asset Allocation Conservative Growth (Dividend Yield)	SMA	Focus
Riverfront Asset Allocation Long Term Growth	SMA	Focus
Riverfront Asset Allocation Moderate Growth	SMA	Focus
Riverfront Large Cap Core Equity	SMA	Approved
RiverSource Mid Cap Value Fund	MF	Approved
Robeco Boston Partners Small Mid Cap Value	SMA	Focus
Roosevelt Investment Group All Cap Core	SMA	Focus
Rothschild Large Cap Core Equity	SMA	Approved
Rothschild Large Cap Value Equity	SMA	Approved
Rothschild Mid Cap Core	SMA	Approved
Rothschild Mid Cap Value Equity	SMA	Approved
Royce 100 Fund	MF	Approved
Royce Micro-Cap Fund	MF	Focus
Royce Premier Fund	MF	Focus
Royce Total Return Fund	MF	Focus
Royce Value Fund	MF	Approved
Royce Value Plus Fund	MF	Focus
RS Emerging Markets Fund	MF	Approved
RS Global Natural Resource Fund	MF	Approved
RS Partners Fund	MF	Approved
RS Value Fund	MF	Focus
RSW Market Duration Muni	SMA	Approved
Ryan Labs Intermediate Market Enhanced	SMA	Approved
Ryan Labs Short Duration Enhanced	SMA	Approved
Rydex SGI Multi-Hedge Strategies Fund	MF	Approved
Rydex Managed Futures Fund	MF	Focus
Sage Advisory Core Taxable Fixed Income	SMA	Approved
Sage Advisory Intermediate Municipal Fixed Income	SMA	Approved

Product	SMA/MF	Status
Sage Advisory Intermediate Taxable	SMA	Approved
Sage Advisory Intermediate Term Government Fixed Income	SMA	Approved
Sage Advisory Market Duration Municipal Fixed Income	SMA	Approved
Sage Advisory Short Term Taxable Fixed Income	SMA	Approved
Sands Capital Management Large Cap Growth	SMA	Focus
Sands Capital Select Growth Fund	MF	Focus
Santa Barbara Asset Management Stable Growth	SMA	Focus
Santa Barbara Asset Mgmt Dividend Growth	SMA	Approved
Santa Barbara Asset Mgmt EcoLogic Growth	SMA	Approved
Santa Barbara Stable Growth Equity	SMA	Focus
Schafer Cullen – Schafer Cullen Small Cap Value	SMA	Approved
Schaffer Cullen High Dividend Equity Fund	MF	Approved
Scharf Investments Equity	SMA	Approved
Schroders Emerging Markets Fund	MF	Focus
Schroders International Alpha Fund	MF	Focus
Security Global Advisors Intermediate Term Fixed Income	SMA	Approved
Security Global Large Cap Growth Equity	SMA	Approved
Security Global Small-Mid Cap Value	SMA	Approved
Segall, Bryant & Hamill All Cap Core	SMA	Approved
Seix Core Bond	SMA	Approved
Seix Enhanced Bond	SMA	Approved
Seix High Yield Bond	SMA	Approved
Seix Intermediate Fixed Income	SMA	Approved
Seix Investment Advisors Core Fixed Income	SMA	Approved
Seix Investment Advisors Credit Dislocation Portfolio – Corporate Credit	SMA	Approved
Seix Investment Advisors Enhanced Short	SMA	Approved
Seligman Co Large Value	SMA	Approved
Seligman Large Cap Value Fund	MF	Approved
Seizert Capital Partners Core Equity	SMA	Approved
Sentinel Mid Cap Value Fund	MF	Approved
Silvercrest Small Cap Value	SMA	Approved
Smith Asset Mgmt Group, LP Large Cap Growth Equity	SMA	Approved
Stacey Braun Associates Core Equity	SMA	Approved
Steinberg All Cap Value	SMA	Approved
Steinberg Asset Management, LLC Small Cap Value Equity	SMA	Approved
Steinberg Asset Management, LLC Mid Cap Value Equity	SMA	Approved
Sterling Capital Mgmt Mid Cap Value	SMA	Focus
Stonebridge Taxable Preferred Securities	SMA	Approved
Stonebridge Tax-Advantaged Preferred Securities	SMA	Approved
Strategy Asset Managers Market Oriented	SMA	Approved
Systematic Financial Small Cap Free Cash Flow	SMA	Approved
Systematic Large Cap Value Equity	SMA	Approved
Systematic Mid Cap Value	SMA	Approved
Systematic Select Value Equity	SMA	Approved
T. Rowe International Bond (Non US Hedged)	MF	Focus
T. Rowe Value Fund	MF	Approved
T Rowe Price Small Cap Stock Fund	MF	Approved
T. Rowe Price Blue Chip Growth Fund	MF	Focus
T. Rowe Price Emerging Markets Bond Fund	MF	Approved
T. Rowe Price Equity Income Fund	MF	Approved
T. Rowe Price Growth Stock Fund	MF	Approved
T. Rowe Price High Yield Fund	MF	Approved
T. Rowe Price International Growth & Income Fund	MF	Approved
T. Rowe Price International Stock Fund	MF	Approved

Product	SMA/MF	Status
T. Rowe Price Japan Fund	MF	Approved
T. Rowe Price Mid Cap Growth Fund	MF	Approved
T. Rowe Price Mid Cap Value Fund	MF	Approved
TCW Balanced Managed Accounts	SMA	Approved
TCW Balanced Value	SMA	Approved
TCW Concentrated Core (Large Cap Growth)	SMA	Approved
TCW Concentrated Value	SMA	Focus
TCW Diversified Value Fund	MF	Focus
TCW Dividend Focused Fund	MF	Approved
TCW Intermediate Fixed Income	SMA	Approved
TCW Large Cap Relative Value	SMA	Focus
TCW Sector-Diversified Mid Cap Growth	SMA	Approved
TCW Select Equities Fund	MF	Approved
TCW Small Cap Growth	SMA	Focus
TCW Small Cap Growth Fund	MF	Focus
TCW SMID Cap Growth	SMA	Approved
TCW Total Return Bond Fund	MF	Approved
TCW Value Opportunities	SMA	Focus
TCW Value Opportunities Fund	MF	Focus
Templeton Developing Markets Fund	MF	Approved
Templeton Foreign Fund	MF	Approved
Templeton Global Balanced	SMA	Approved
Templeton Global Bond Fund	MF	Focus
Templeton Global Equity ADR	SMA	Approved
Templeton International Equity ADR	SMA	Approved
The Boston Company Small/Mid Cap Growth Equity	SMA	Approved
The Gateway Fund	MF	Approved
The Hartford Capital Appreciation Fund	MF	Approved
The Hartford Capital Appreciation II Fund	MF	Approved
The London Company Small Cap Core	SMA	Focus
Third Avenue Real Estate Value Fund	MF	Approved
Third Avenue Value Equity	SMA	Approved
Thompson, Siegel & Walmsley Small Value	SMA	Focus
Thompson, Siegel & Walmsley Small/Mid Value	SMA	Focus
Thornburg Core Growth Fund	MF	Approved
Thornburg International Value Equity ADR	SMA	Focus
Thornburg International Value Fund	MF	Focus
Thornburg Investment Management Limited Term Municipal	SMA	Approved
Thornburg Limited Term Municipal	SMA	Approved
Thornburg Value Fund	MF	Approved
Touchstone Sands Capital Select Growth Fund	MF	Focus
Tradewinds Global All Cap Equity ORD	SMA	Focus
Tradewinds Global Equity ADR	SMA	Focus
Tradewinds International Value ADR	SMA	Approved
Tradewinds Small/Mid Cap Value	SMA	Focus
Tradition Select All Cap Core Equity Long Only	SMA	Approved
Trevor Steward Burton & Jacobsen Active Duration	SMA	Approved
Trillium Asset Management Core Equity Tax Sensitive	SMA	Approved
Trillium Asset Management Core Equity Tax Sensitive (SRI)	SMA	Approved
TS&W Mid Cap Value	SMA	Focus
Turner Core Growth Fund	MF	Focus
Turner International Growth ADR	SMA	Approved
Turner Investment Partners All Cap Growth Equity	SMA	Focus
Turner Investment Partners Concentrated Aggressive Growth	SMA	Focus

Product	SMA/MF	Status
Turner Investment Partners Core Growth Equity	SMA	Focus
Turner Investment Partners Growth Equity	SMA	Focus
Turner Investment Partners Mid Cap Growth	SMA	Focus Approved
Turner Mid Cap Growth Fund	MF	Focus
Invesco Van Kampen Comstock Fund	MF	Approved
Invesco Van Kampen Core Equity	SMA	Approved
Invesco Van Kampen Equity & Income Fund	MF	Approved
Invesco Van Kampen Growth & Income Fund	MF	Approved
Invesco Van Kampen High Yield Municipal Bond Fund	MF	Approved
Invesco Van Kampen International Growth Equity ADR	SMA	Approved
Invesco Van Kampen Investments Small Cap Growth Fund	MF	Approved
Invesco Van Kampen Large Cap Value Equity (Deep Value)	SMA	Approved
Victory Capital Diversified Equity	SMA	Focus
Victory Diversified Stock Fund	MF	Focus
Victory Investment Grade Convertible Fund	MF	Focus
Victory Investment Grade Convertible Securities	SMA	Focus
Victory Small Cap Opportunities Fund	MF	Approved
Virtus Foreign Opportunities Fund	MF	Focus
Virtus Insights Emerging Markets Fund	MF	Approved
Virtus Mid Cap Value Fund	MF	Focus
Virtus Multi Sector Short Term Bond Fund	MF	Approved
Virtus Quality Small Cap Fund	MF	Approved
Virtus Real Estate Securities Fund	MF	Approved
Walden Asset Mgmt Socially Responsible Large Cap Equity	SMA	Approved
Wall Street Associates Mid Cap Growth Equity	SMA	Approved
Wall Street Associates Small/Micro Cap Growth	SMA	Focus
Weaver Core Intermediate	SMA	Approved
Weaver Core Total Return Aggregate	SMA	Approved
Weaver Short Duration	SMA	Approved
Wells Capital Fundamental All Cap Growth Equity	SMA	Focus
Wells Capital Fundamental Large Cap Select Growth Equity	SMA	Focus
Wells Capital Management Small/Mid Cap Value	SMA	Focus
Wells Capital Mgmt Small Cap Value	SMA	Focus
Wells Fargo Advantage Discovery Fund	MF	Approved
Wells Fargo Advantage Endeavor Select Fund	MF	Focus
Wells Fargo Advantage Inflation-Protected Bond Fund	MF	Approved
Wells Fargo Advantage Intermediate Short Term Muni Fund	MF	Approved
Wells Fargo Advantage Intermediate Tax Free Fund	MF	Approved
Wells Fargo Advantage Municipal Bond Fund	MF	Approved
Wells Fargo Advantage Opportunity Fund	MF	Focus
Wells Fargo Advantage Small/Mid Cap Value Fund	MF	Focus
Wells Fargo Cooke & Bieler Large Cap Value	SMA	Focus
Wells Fargo Cooke & Bieler Mid Cap Value Equity	SMA	Focus
Wells Fargo Fundamental All Cap Growth Equity	SMA	Focus
Wells Fargo Fundamental Large Cap Select Growth Equity	SMA	Focus
Wells Fargo Fundamental Mid Cap Growth Equity	SMA	Focus
Wells Fargo Fundamental SMID Cap Growth Equity	SMA	Focus
Wells Fargo High Income Fund	MF	Approved
Wells Fargo Inflation Protection Fund	MF	Approved
Wells Fargo Intermediate Term Fixed Income	SMA	Approved
Wells Fargo Advantage Short-Term Municipal Fund	MF	Approved
Wells Fargo Advantage Small Cap Value Fund	MF	Focus
Wells Fargo Cooke & Bieler Large Cap Value	SMA	Focus
Wells Fargo Cooke & Bieler Mid Cap Value Equity	SMA	Focus

Product	SMA/MF	Status
Wells Fargo Funds Management Large Cap Growth Equity	SMA	Approved
Wells Fargo Government Securities Fund	MF	Approved
Wentworth Hauser and Violich International Equity	SMA	Approved
Westchester Capital Merger Fund	MF	Focus
WestEnd Advisors Large Cap Core	SMA	Focus
Western Asset Core Bond Fund	MF	Focus
Western Asset Core Plus Bond Fund	MF	Focus
Western Asset Management Company GSM 3 Fixed Income	SMA	Approved
Western Asset Management Company U.S. Core Full Discretion Fixed Income	SMA	Focus
Western Asset Management Company U.S. High Yield	SMA	Approved
Western Asset Management Enhanced Cash Portfolios	SMA	Approved
Western Asset Management GSM 3 Fixed Income	SMA	Approved
Western Managed Municipals Fund	MF	Focus
Westfield Capital Management Large Cap Growth Equity	SMA	Focus
Westfield Small Cap Equity	SMA	Focus
WHV International Equity ADR	SMA	Approved
William Blair & Company – William Blair All Cap Growth	SMA	Focus
William Blair International Growth Fund	MF	Focus
Winslow Capital Management Large Cap Growth	SMA	Focus
Wright Investors' Service Core Fixed Income	SMA	Approved
Wright Investors Intermediate Core Fixed Income	SMA	Approved
Wright Investors' Service Large Cap Growth Equity	SMA	Approved
Zacks All Cap Core Equity	SMA	Focus