

Form ADV Wrap Fee Program Brochure Morgan Stanley Smith Barney LLC

TRAK Fund Solution
TRAK Consulting Group Capital Markets Funds

March 30, 2015

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

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

Morgan Stanley

Item 2: Material Changes

This section identifies and discusses material changes to the ADV brochure since the version of this brochure dated March 30, 2014. For more details on any particular matter, please see the item in this ADV brochure referred to in the summary below.

Account Opening. Effective April 20, 2015 MSSB will implement a new form of Single Advisory Contract which will be used to open new accounts. You will receive the new form of Single Advisory Contract at any time that you change Consulting Group programs or open a new Consulting Group account on or after April 20, 2015. The new form of Single Advisory Contract that you receive will be in place of the Program Agreement referenced in any Single Advisory Contract that you signed prior to April 20, 2015, and will include relevant information on the Consulting Group program(s) you select. The new form of Single Advisory Contract covers additional Consulting Group programs (Global Investment Solutions and Alternative Investments Advisory). The new form of Single Advisory Contract that you receive will amend any Single Advisory Contract that you signed in accordance with its terms (Item 4.A).

Termination of Client Agreement. Either MSSB or the client may terminate the client agreement. Upon termination, MSSB may convert shares of mutual funds in your TRAK Fund account to a non-advisory share class, which may entail greater fund expenses. In the TRAK CGCM program, if you terminate your advisory relationship, MSSB reserves the right to liquidate all CGCM Fund shares in your account.

TRAK Fund Solution. *On June 30, 2014, TRAK Fund Solution was closed to new investors. Certain mutual fund share classes held in client accounts have been converted to advisory or institutional share classes.*

Selection and Retention of Mutual Funds. MSSB's Global Investment Manager Analysis group known as "GIMA" was formerly known as Consulting Group Investment Advisor Research or "CGIAR." A termination of a mutual fund in the TRAK Fund Solution for reasons other than a GIMA downgrade will be referred to in this ADV brochure as a "Drop In Coverage." For a period of time (generally about two years), MSSB will permit clients who are invested in that mutual fund to remain so invested and to add assets to that mutual fund. During this period, GIMA will continue to evaluate the impacted mutual fund. If GIMA downgrades the mutual fund to "Not Approved" MSSB will terminate the mutual fund at that time (Item 6.A).

FEES – There is a minimum annual MSSB fee (calculated quarterly) for each TRAK account that was opened after June 30, 2009 (effective July 1, 2014). This minimum fee is the lesser of 2% of the market value of the assets in your account or \$250 per year. This minimum fee will not apply to any account that (when added to other Consulting Group accounts with which it is related for billing purposes) has a total of \$500,000 or more in assets as of the end of the previous billing quarter. For TRAK accounts opened on or after April 20, 2015, the maximum annual MSSB Fee will be 2.5% (Item 4.A).

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Item 4: Services, Fees and Compensation

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

MSSB offers clients (“client”, “you” and “your”) many different advisory programs. Many of MSSB’s advisory services are provided by its Consulting Group (“CG”) business unit. You may obtain brochures for other MSSB investment advisory programs at www.morganstanley.com/ADV or by asking your Financial Advisor.

All clients’ assets are custodied at MSSB (except for “sweep” assets custodied at the Sweep Banks pursuant to the Bank Deposit Program). *Please see Item 4.C (Services, Fees and Compensation -- Additional Fees – Cash Sweeps -- Bank Deposit Program) below, for more information.* Brown Brothers Harriman serves as the custodian of the CGCM Funds.

A. General Description of Programs and Services

TRAK Fund Solution

TRAK Fund Solution is a mutual fund asset allocation program that offers clients a wide selection of asset allocations and mutual fund investment options, as well as optional features such as systematic rebalancing of accounts. TRAK Fund Solution clients retain investment discretion over their accounts. ***TRAK Fund Solution is closed to new investors. Existing investors may continue to participate in the program.***

TRAK Fund Solution accounts consist of two components: an investment advisory component and a brokerage component. The asset allocation, mutual fund evaluation, and systematic rebalancing services apply only to the investment advisory component of the account. MSSB acts as an investment advisor and fiduciary with respect to the investment advisory component of your account, but not with respect to the brokerage component.

For the investment advisory component of your TRAK Fund Solution account, you can choose from among affiliated mutual funds, money market funds and unaffiliated mutual funds. Mutual fund shares purchased or sold through the Program in the investment advisory component of your account are not subject to any sales charges (or “loads”).

As part of the account opening process, you complete an investor questionnaire that identifies your investment objectives, risk tolerance, and investment time horizon. Based on your responses to the questionnaire, we determine your investment profile, and recommend an asset allocation for the investment advisory component of your account based on the TRAK Fund Solution program’s asset categories. TRAK Fund Solution offers recommended allocations for various investor profiles. The recommended allocations are reviewed and updated

periodically, in response to changes in the capital markets. You may accept the recommended allocation, or create an asset allocation based on your preferences. If you accept the recommended allocation, any subsequent updates to the recommended allocation corresponding to your investor profile will automatically become the then-current target allocation for the investment advisory component of your account.

After you select your asset allocation, we will help you identify appropriate mutual funds for each category in the allocation. You must select at least one mutual fund for each asset category in the asset allocation. In the investment advisory component of your account, you can only hold mutual funds offered through the TRAK Fund Solution program. Availability of mutual funds through the TRAK Fund Solution program is subject to change.

You are responsible for your decision to participate in TRAK Fund Solution and your selection of mutual funds. TRAK Fund Solution is not necessarily suitable for all clients seeking to build and invest in a portfolio of mutual funds. Before enrolling in TRAK Fund Solution, you should discuss with your Financial Advisor whether other programs and investments may be more appropriate given your 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. Carefully read the prospectus of each mutual fund before you invest.

Tactical Rebalancing. If you accepted the recommended allocation and elected tactical rebalancing, we will review the investment advisory component of your account for rebalancing and, if necessary, rebalance it to the then-current recommended allocation promptly after we change the recommended allocation for your investor profile.

Quarterly Rebalancing. You may choose to have the investment advisory component of your account automatically reviewed for rebalancing quarterly and, if needed, rebalanced. If you select quarterly rebalancing, and you accepted the recommended allocation, your account will be rebalanced to the then-current recommended allocation for your investor profile. Rebalancing to the updated recommended allocation may involve adding or removing asset categories, which may require selling a mutual fund and/or selecting one or more new mutual funds for the account. If you select quarterly rebalancing, and you created an asset allocation based on your preferences, your account will be rebalanced to your selected asset allocation.

After reviewing your account for quarterly rebalancing, we will only perform the rebalancing 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 assets in the investment advisory component of your account. Rebalancing will be accomplished by buying and selling shares of mutual funds. In taxable accounts rebalancing may cause a taxable event, and you should consult your tax advisor.

If you wish to add or drop quarterly rebalancing, please talk to your Financial Advisor. If you do not elect automatic rebalancing, you should consider whether an alternative such as a commission-based account might be more cost-effective than TRAK Fund Solution.

Other Rebalancing. Regardless of whether or not you select quarterly rebalancing, you may direct MSSB to rebalance the account at any time.

Fund Replacement. At times, including as a result of a rebalancing to the current recommended allocation, an investment discipline reclassification, or the termination from TRAK Fund Solution of a mutual fund held in the investment advisory component of your account, you may be required to select a new or a replacement mutual fund for each affected asset category in the asset allocation. MSSB will notify you and ask you to select a new mutual fund. MSSB's notice will identify a mutual fund selected by MSSB as being an appropriate replacement mutual fund from those available in TRAK Fund Solution (which may include both affiliated and unaffiliated mutual funds as potential default investments). If you do not select a new mutual fund within the time frame prescribed in the notice, we will buy the replacement mutual fund we identified in our notice and liquidate any existing terminated mutual fund. Liquidation may cause a taxable event and you should consult your tax advisors. Liquidation may also result in additional costs and charges. You may not purchase or hold mutual funds in the investment advisory component of your account except those offered through TRAK Fund Solution. In the event of a fund merger, MSSB reserves the right to invest assets from the merged fund into the acquiring fund.

Fees From Mutual Fund Companies. As a result of MSSB's receipt of certain fees, fees received by MSSB from mutual fund companies (as described in greater detail in Item 4.C), MSSB's compensation may vary depending on the Funds in which the client invests, unless the client is a Retirement Account (as defined below in this section). Consequently, MSSB may have a conflict of interest when recommending mutual funds to you (unless the client is a Retirement Account). We address this conflict by not sharing the mutual fund fees with your Financial Advisor. To obtain the annual rates of such fees, contact your Financial Advisor and they will direct you to the appropriate source.

TRAK Consulting Group Capital Markets Funds

TRAK Consulting Group Capital Markets Funds (the "CGCM Funds" or "TRAK CGCM") are used in a mutual fund asset allocation program that offers clients a selection of strategic asset allocations and a selection of multi-managed sub-advised mutual funds. The manager to the TRAK CGCM funds is affiliated with MSSB.

TRAK CGCM consists of two components: an investment advisory component and a brokerage component. The asset allocation and systematic rebalancing services apply only to the investment advisory component of the account. MSSB acts as an investment advisor and fiduciary with respect to the advisory component of your account, but not with respect to the brokerage component. In TRAK CGCM, the rebalancing protocol will be the same as described above for TRAK Fund Solution except that rebalancing will be effected using shares of the TRAK CGCM Funds instead of shares of other mutual funds.

The TRAK CGCM Funds are sub-advised by recognized institutional investment management firms. The sub-advisers must be on the Consulting Group Global Investment Manager Analysis group's Focus List or Approved List, as described in Item 6.A. Consulting Group Advisory Services LLC ("CGAS"), the investment manager to the TRAK CGCM Funds, selects each sub-advisor, subject to the approval of the Board of Trustees of the CGCM Funds. CGAS is responsible for periodically reviewing each sub-advisor and also reviews the CGCM Funds to ensure a minimal overlap of investments among Funds and that the Funds do not stray from their stated investment mandate.

RETIREMENT ACCOUNT CLIENTS SHOULD REVIEW THE ADDENDUM RELATING TO THE DEPARTMENT OF LABOR EXEMPTION.

Common Features Relating to the Programs

Account Opening. To enroll in the TRAK Fund Solution or TRAK CGCM programs, you may complete an investment questionnaire or receive a proposal. To enroll in any of these programs, you must enter into the MSSB Single Advisory Contract. MSSB has discontinued the use of the TRAK client agreements to open new accounts (but some existing accounts may have been opened using the client agreement). The client agreement and the Single Advisory Contract shall be collectively referred to as the "Account Agreement."

Effective April 20, 2015, MSSB will implement a new form of Single Advisory Contract which will be used to open new accounts. You will receive a new form of Single Advisory Contract at any time that you change Consulting Group programs or open a new Consulting Group account on or after April 20, 2015. The new form of Single Advisory Contract that you receive will be in place of any program agreement that was referred to in any Single Advisory Contract that you signed prior to April 20, 2015, and will include relevant information on the Consulting Group program(s) you select. The new form of Single Advisory Contract covers additional Consulting Group programs (Global Investment Solutions and Alternative Investments Advisory).

The new form of Single Advisory Contract that you receive will amend any Single Advisory Contract that you signed in accordance with its terms.

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 programs 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.

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

investment decisions, except as described above with regard to tactical rebalancing, quarterly rebalancing, certain liquidations relating to terminated funds or accounts, fund replacements (TRAK Fund Solution), automatic liquidation of shares to pay investment advisory fees, systematic investments or withdrawals and trades relating to share class conversions.

Mutual Fund Managers. The managers of the mutual funds that MSSB selects to participate in the TRAK Fund Solution 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.

Changes to Mutual Funds in the Programs. MSSB may add or remove mutual funds from the programs in its discretion. MSSB reviews mutual funds, fund managers, and fund companies on an ongoing basis to determine whether funds should remain in the TRAK Fund Solution program. MSSB may decide 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. See "Selection and Review of Funds for the Programs" below. Mutual funds may also determine to discontinue offering their shares through the programs or elect to change the share class offered in the programs.

Limitations on Number of Funds, Cash Allocations and Trading. The TRAK Fund Solution program imposes limitations with respect to the minimum and maximum number of investment disciplines, and fund positions in each discipline allowed in the investment advisory component of 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 rebalancing or reallocation features offered in the program, purchasing funds in a commission-based account may be a more cost-effective way of investing. The programs in this brochure are not intended for clients who wish to maintain high levels 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.

Asset Class Changes. From time to time, MSSB may re-categorize a mutual fund into a different asset class. For clients

who have selected custom allocations, a notice will be sent following such an asset class change and no change in Mutual Funds will be made to their account. For clients who follow the recommended allocations, prior notice of such a change will be sent describing the Mutual Funds that may be terminated or added to their account as part of the change.

If you contribute assets to the TRAK Fund Solution program, (or you direct us to transfer other outside assets into the TRAK Fund Solution program) and these assets are shares of a mutual fund that you already hold as part of your account allocation, we will add those shares to the shares of that mutual fund that you already hold in that asset category. These shares will then be part of your account and subject to the advisory fee that you pay to us. If necessary, we will convert the shares to the appropriate share class for the program. If you contribute mutual fund shares on which you originally paid a load or other front-end fee, you may not recover that fee upon contribution of such shares to your advisory account. However, we will not convert any mutual fund shares on which you may have paid a Contingent Deferred Sales Charge ("CDSC") until the CDSC expires and, until these shares convert, they will be held in the brokerage portion of the account and we will not render any advice on them. If a Mutual Fund makes only one class of shares available and that share class carries a 12b-1 fee, this share class may be included in your Account. In such a case, MSSB will decline to accept the 12b-1 fee, but it will not be rebated to you.

If you contribute other types of assets to the program, these assets will be held in the brokerage portion of your account and will not be subject to the advisory fee unless you instruct us to liquidate these and invest the proceeds in your advisory account. We will invest assets in your account so as to minimize variances from your recommended account allocation. Alternatively, you may instruct us to invest your contributions pro rata based on a relative percentage holdings of mutual fund shares constituting the assets in your advisory account, which may differ from your recommended account allocation.

Investment Restrictions. You will select the individual mutual funds. You cannot impose restrictions on the securities held by a mutual fund.

Trade Confirmations, Account Statements and Performance Reviews. MSSB is the custodian and provides you with written confirmation of securities transactions, and account statements at least quarterly. You will receive confirmations after the completion of each trade. You will also receive mutual fund prospectuses.

We provide written Investment Monitors to you every quarter. These reviews have tabular reports and graphical displays showing how your account investments have performed, both on an absolute basis and on a relative basis compared to recognized indexes. You may view these reports through MSSB's online account services site. To access these reports in the online service site please go to <https://www.morganstanleyclientserv.com> log on and select "Account Documents." account opening. If, however, you would like to receive these reports by mail, please call 1-888-454-3965.

The Investment Monitor covers only the assets in the investment advisory component of your account.

MSSB may obtain and share information concerning your accounts with any of our affiliates or with any nonaffiliated parties to the extent necessary to effect, enforce, administer or complete transactions or to service providers in accordance with applicable federal and state regulations.

Termination of Account Agreement. Either MSSB or the client may terminate the client agreement. Upon termination, MSSB may convert your shares to a non-advisory share class. In the TRAK CGCM program, if you terminate your Account Agreement, we reserve the right to liquidate all your TRAK CGCM mutual fund shares.

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

Consulting Group Trust Services

MSSB may offer integrated wealth management solutions, which may include trusts. MSSB will not accept an appointment as, nor will it act as a trustee (a MSSB affiliate, such as Morgan Stanley National Association, may be serving as trustee for existing accounts, but is closed to new accounts). In order to offer complete solutions, MSSB has created the Consulting Group Trust Services program ("CG Trust Services") with external trust companies (including external banks which may serve as corporate trustee) to provide trustee services for the assets in your account while you receive investment advisory services from MSSB.

To receive trustee services through CG Trust Services, you and your attorney will create separate agreements with an external trust company to govern the trust and you will appoint a trustee to act on your behalf. You or your designee will sign these separate agreements and you may pay a separate fee to your attorney. External trust companies and MSSB charge separate fees for their respective services, which may be higher than fees charged to clients outside of the CG Trust Services program for comparable services. Neither MSSB nor your Financial Advisor will be paid by an external trust company. In certain circumstances, MSSB or an affiliate may pay compensation to or receive indirect economic benefits from an unrelated third party (See "Client Referrals and Other Compensation" below).

As part of CG Trust Services, you or your selected trustee with investment authority, may delegate investment discretion directly to MSSB or receive non-discretionary investment advisory services through programs offered by Consulting Group. Additionally certain external trust companies have contractually agreed to use the services (including MSSB custody services) described in the brochure for each CG Trust Services client, unless issued contrary instructions, so long as such use of MSSB services will not cause the trust company to violate any duty or obligation. Regardless of the external trust company that you select, unless you have appointed another custodian, you can custody your assets at MSSB through CG Trust Services. Accounts outside of CG Trust Services may be subject to different custody arrangements.

MSSB has made arrangements to have a number of external trust companies participate in the CG Trust Services described above. While these arrangements are designed to enhance the administrative and operational experience of clients who appoint such an external trust company and MSSB to administer the same assets, these arrangements could pose a conflict of interest for MSSB by creating an incentive for it to introduce their clients to those external trust companies that have arrangements with CG Trust Services over other external trust companies.

The decision to participate in CG Trust Services and the selection and compensation of the trustee and attorney are your decision and responsibility. MSSB and its affiliates do not provide tax and legal advice (see "Tax and Legal Considerations" below). For additional information and to determine eligibility for CG Trust Services, please contact your Financial Advisor.

Risks

All trading in an account is at your risk. The value of the assets held in an account is subject to a variety of factors, such as the liquidity and volatility of the securities markets. Investment performance of any kind is not guaranteed and does not predict future performance with respect to any particular account. Neither MSSB nor its affiliates will not have any responsibility for any of your assets not held in the account, nor for any act done or omitted on the part of any third party.

Risks Relating to Mutual Funds that Pursue Complex or Alternative Strategies. These funds may employ various investment strategies and techniques for both hedging and more speculative purposes such as short selling, leverage, derivatives and options, which can increase volatility and the risk of investment loss. Alternative investment strategies are not suitable for all investors. While mutual funds may use non-traditional options and strategies, they differ from unregistered privately offered alternative investments. Because of regulatory limitations, mutual funds that seek alternative-like investment exposure must utilize a more limited spectrum of investments. As a result, investment returns and portfolio characteristics of mutual funds may vary from traditional hedge funds pursuing similar investment objectives. They are also more likely to have relatively higher correlation with traditional market returns than privately offered alternative investments. Moreover, traditional hedge funds have limited liquidity with long "lock-up" periods allowing them to pursue investment strategies without having to factor in the need to meet client redemptions. On the other hand, mutual funds typically must meet daily client redemptions. The differing liquidity profile can have a material impact on the investment returns generated by a mutual fund pursuing the alternative strategy compared with traditional hedge funds pursuing the same strategy.

Non-traditional investment strategies are often employed by a fund's portfolio manager to further a fund's investment objectives and to help offset market risk. However, these features may be complex, making it more difficult to understand the fund's essential characteristics and risks, and how it will perform in different market environments and over various periods of time. They may also expose the fund to increased volatility and unanticipated risks, particularly when used in complex combinations and/or accompanied by the use of

borrowing or “leverage.”

Risks Relating to Mutual Funds that Invest Primarily in Master Limited Partnerships (“MLPs”). Investment in MLPs entails different tax risks than is the case for other types of investments and mutual funds that invest primarily in MLPs, and will generally accrue deferred tax liability. The fund’s deferred tax liability (if any) is reflected each day in its net asset value. As a result, the fund’s total annual operating expenses may be significantly higher than those of funds that do not invest primarily in MLPs. Please see the fund prospectus for additional information.

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

Fees

In the TRAK Fund Solution and TRAK CGCM programs, the client pays an asset-based fee to MSSB calculated on the investment advisory assets in the account (“MSSB Fee”), which covers MSSB investment advisory services, custody of securities, trade execution with or through MSSB, as well as compensation to any Financial Advisor. The maximum MSSB Fee is 2.00% of the market value of the investment advisory assets in a client’s account. The maximum fee will change to 2.5% on or about April 20, 2015. The fee is subject to negotiation and may differ based on factors such as the amount of assets, and the number and range of supplemental and client-related services provided.

To pay your fees we will liquidate shares of any money market funds included in your account. To the extent that fees are not covered by money market fund or sweep vehicles, we reserve the right to liquidate a portion of any mutual fund, in your account to satisfy the remaining fee balance.

The initial fee will be paid on or shortly after the date that funds are purchased for your account, will be prorated to cover the period from that date to the end of the current quarter or next full billing quarter, and will be based on the value of the assets in the advisory portion of your account on that date. Billing quarters may differ from calendar quarters. Thereafter, each quarterly fee payment will be payable in advance, computed based on the last business day of the previous billing quarter and payable on the tenth business day of the current billing quarter.

If you direct us to do so in writing, we will debit another Morgan Stanley account to pay any fee due hereunder.

A portion of the fees charged to your account are paid to Financial Advisors and other employees of Morgan Stanley and its affiliates in connection with the provision of supplemental and client-related services. Such payments may be made for the duration of this agreement.

We retain the right to terminate this agreement and liquidate all assets in your account if your account balance falls below \$5,000. There is a minimum average annual MSSB Fee (calculated quarterly) for each MSSB Consulting Group account that is related for billing purposes and was opened after June 30, 2009. The minimum is the lesser of 2% of the market value of the assets in your account or \$250 per year.

Your fee will be agreed upon with your Financial Advisor and we will confirm the agreed upon fee to you in writing. Your fee will not include or take into account the underlying fees and expenses of mutual funds or other fees relating to your brokerage account. Unless you agree with your Financial Advisor, your fee will not be aggregated with any other assets in any other existing or future MSSB investment advisory program account for the purposes of calculating whether the assets in your account reach any thresholds in any fee schedule that you may agree upon with your Financial Advisor.

For any affiliated mutual funds offered in TRAK Fund Solution, the affiliated fund’s investment advisor will receive investment management fees. Retirement Accounts will receive a credit for this fee.

For TRAK CGCM Clients that are Retirement Accounts (as defined below) the quarterly fee will be reduced by an amount equal to, for all CGCM funds in which the Retirement Account is invested, (A) the daily value of Retirement Account Assets invested in a CGCM Fund, multiplied by (B) the reduction factor specified below, multiplied by (C) a fraction, the numerator of which is 365, the product of which will then be accumulated daily for the entire calendar quarter (the “ERISA FEE Levelling Credit”). The client’s quarterly fee will then be reduced by the amount of the ERISA Fee Levelling Credit in the calendar quarter following the accumulation of such ERISA Fee Levelling Credit.

The reduction factor for the TRAK CGCM Money Market Investments shall be 0%, for all other CGCM Funds, the reduction factor will be equal to the fee that that Consulting Group Advisory Services (“CGAS”) retains for the management or distribution of each CGCM Fund less the maximum management or distribution fee, as applicable, that CGAS may retain under the Department of Labor exemption (the lower of .20% or the lowest fee retained by CGAS from the CGCM Funds on any given day). For subsequent investments or redemptions of \$5,000 or more, the prorated fee or credit for the balance of the quarter will be calculated on the basis of the net percentage fee paid for the quarter during which the subsequent investment or redemption is made. A “Retirement Account” is an Individual Retirement Account (“IRA”), a plan for self-employed individuals (“Keogh Plan”), or an employee benefit plan subject to the Employee Retirement Security Act of 1974 (“ERISA”).

The fee agreed to between you and your Financial Advisor may be changed by Morgan Stanley upon notice to you at any time.

Fees for the programs described in this brochure are negotiable based on factors including the type and size of the account and the range of services provided by the Financial Advisor, the fee charged to a client may be more than the maximum annual fee stated in this section as described below.

The fee is payable as described in the Client Agreement. Generally, the initial fee is due in full on the date you open your account at MSSB and is based on the market value of the investment advisory assets in the account on that date. The initial fee payment covers the period from the opening date through the last business day of the current quarter or the next full billing quarter and is prorated accordingly. Thereafter, the fee is paid quarterly in advance based on the market value of the advisory assets on the last business day of the previous billing quarter. Please note that a billing quarter may or may not be the same as a calendar quarter. The Client Agreement authorizes MSSB to deduct fees when due from the assets contained in the account. TRAK accounts have a brokerage component. The asset-based fee specified in your Client Agreement does not apply to the brokerage component. Instead, you pay brokerage commissions and expenses in accordance with your brokerage documentation (except that we may waive the annual fee).

Termination; Additions and Withdrawals; Refund on Account Termination.

You may make additions into the account at any time, subject to our right to terminate the account. If you withdraw or deposit assets into the account (or assets are otherwise removed from or added to the billable assets in the account) with a value equal to or greater than \$5,000, the Fee for the remainder of the applicable billing period will be adjusted on a pro-rata basis to reflect the withdrawal or deposit. No fee adjustment will be made during any billing period for withdrawals or deposits of less than \$5,000 during a billing period. No Fee adjustment will be made during any billing period for appreciation or depreciation in the value of account assets.

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

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

Accounts Related for Billing Purposes. When two or more investment advisory accounts are related together for billing purposes, you can benefit even more from existing breakpoints.

If you have two accounts, the “related” fees on Account #1 are calculated by applying your total assets (i.e. assets in Account #1 + assets in Account #2) to the Account #1 breakpoints. Because this amount is greater than the amount of assets solely in Account #1, you may have a greater portion 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 the law and 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 you and the Financial Advisor. If any account related for billing purposes has both an investment advisory and a brokerage component, the related billing applies only to the investment advisory component.

Fee Levelling (Retirement Accounts Only). In the TRAK CGCM program, MSSB will retain an investment management fee of 0.20% for CGAS’ provision of investment advisory and other services to the TRAK CGCM Funds. Therefore, to the extent you invest in any funds that pay CGAS a fee greater than 0.20%, you will receive a credit to your investment advisory fee of the amount greater than 0.20%. Notwithstanding the above, MSSB will not receive any fees from the Money Market Investments fund.

ERISA Fee Disclosure for Qualified Retirement Plans. In accordance with Department of Labor regulations under Section 408(b)(2) of ERISA, 2012, MSSB is required to provide certain information regarding our services and compensation to assist fiduciaries and plan sponsors of those retirement plans that are subject to the requirements of ERISA in assessing the reasonableness of their plan’s contracts or arrangements with us, including the reasonableness of our compensation. This information (the services we provide as well as the fees) is provided to you at the outset of your relationship with us and then at least annually to the extent that there are changes to any investment-related disclosures for services provided as a fiduciary under ERISA.

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

B. Comparing Costs

The primary service that you are purchasing in the programs described in this brochure is a mutual funds wrap program. You may purchase the individual mutual funds separately, although you may pay a load (transaction fee) on the purchase of the mutual fund. You should consider these and other differences when deciding whether to invest in an investment advisory or a brokerage account and, if applicable, which advisory programs best suit your individual needs.

C. Additional Fees

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

- the costs of investment management fees and other expenses charged by mutual funds (see below for more details)
- MSSB account establishment or maintenance fees for its Individual Retirement Accounts (“IRA”) and Versatile Investment Plans (“VIP”), which are described in the respective IRA and VIP account and fee documentation (which may change from time to time)
- account closing/transfer costs
- processing fees or
- certain other costs or charges that may be imposed by third parties (including, among other things, odd-lot differentials, transfer taxes, foreign custody fees, exchange fees, supplemental transaction fees, regulatory fees and other fees or taxes that may be imposed pursuant to law).

Funds in Advisory Programs

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

You do not pay any sales charges for purchases of mutual funds in programs described in this brochure (unless you buy the funds in the brokerage component of a TRAK Fund Solution account). However, some mutual funds may charge, and not waive, a redemption fee on certain transaction activity in accordance with their prospectuses.

Expense Payments, Data Analytics and Administrative Services Fees

MSSB receives expense payments and fees for data analytics, recordkeeping and related services, which are more fully described below. Administrative fees may be viewed in part as a form of revenue-sharing if and to the extent they exceed what the mutual fund would otherwise have paid for these services.

MSSB provides fund families with opportunities to sponsor meetings and conferences and grants them access to our branch offices and Financial Advisors for educational, marketing and other promotional efforts. Fund representatives may work closely with our branch offices and Financial Advisors to develop business strategies and plan promotional and educational activities. In addition, MSSB typically receives payments from

funds or their affiliates in connection with these promotional efforts to help offset expenses incurred for sales events and training programs, as well as client seminars, conferences and meetings. Fund families independently decide what they will spend on these activities and may also invite our Financial Advisors to attend fund family sponsored events. Expense payments may include meeting or conference facility rental fees and hotel, meal and travel charges.

Certain fund families (referred to as “Global Partners” or “Emerging Partners”) dedicate significant financial and staffing resources to these efforts and receive supplemental sales data analytics as well as additional opportunities to sponsor firm events and promote their funds to our Financial Advisors and clients. Global Partners commit \$550,000 per year for training and sales meeting expenses and pay a fee of \$200,000 per year for data analytics. Emerging Partners commit \$250,000 per year for training and sales expenses and pay a fee of \$100,000 per year for data analytics. These facts present a conflict of interest for MSSB and our Financial Advisors to the extent they lead us to focus on funds from those fund families, including our Global and Emerging Partners, that commit significant financial and staffing resources to promotional and educational activities instead of on funds from fund families that do not purchase sales data analytics or do not commit similar resources to these activities. In order to mitigate this conflict, Financial Advisors and their Branch Office Managers do not receive additional compensation for recommending fund families sponsored by our Global or Emerging Partners or any other fund families that provide significant sales and training support. Global and Emerging Partners may present a certain number of funds or other products to MSSB’s Global Investment Manager Analysis Group, known as “GIMA” (formerly known as “CG Investment Advisor Research” group or “CGIAR”) subject to a shorter timeline for GIMA to begin its review of such products if there is a backlog at the time the fund or product is being considered. However, products and funds offered by Global and Emerging Partners are subjected to the same GIMA due diligence process and standards as all other investment products and are not given preference in terms of approval by GIMA for offering in MSSB programs.

MSSB selects the Global and Emerging Partners fund families based on a number of quantitative and qualitative criteria. Our Global Partners are denoted by an asterisk on the Revenue-Sharing Fund Families list available on our website at <http://www2.morganstanley.com/wealth/investmentsolutions/mutualfunds.asp> and clicking on “Revenue Sharing Arrangements” at the bottom of the page.

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

Administrative Services Fees

MSSB and/or its affiliates receive compensation from funds or their affiliated service providers for providing certain recordkeeping and related services to funds. These charges are typically based upon the number or aggregate value of client positions and the levels of services provided. We process

transactions with certain fund families on an omnibus basis, which means we consolidate our clients' trades into one daily trade with the fund, and therefore maintain all pertinent individual shareholder information to the fund. Trading in this manner requires that we maintain the transaction history necessary to track and process sales charges, annual service fees, and deferred sales charges for each position, as applicable, as well as other transaction details required for ongoing position maintenance. In addition to the omnibus accounting services that we provide for the funds, we are also responsible for delivery of disclosure documents, processing of dividend distributions, and tax reporting functions on their behalf.

For these services, fund families make payments to MSSB of 0.16% for assets held in taxable accounts. We do not receive payments for assets held in retirement accounts.

In TRAK CGCM fund investment management fees paid as part of the CGCM Fund's expense ratio are up to 0.30% for non-ERISA assets and up to 0.20% for all ERISA assets.

As a general matter for TRAK Fund Solution, MSSB requires the mutual fund companies to pay the fees in the amounts described above in order for their funds to be made available through the program. There are limited exceptions in which fund companies pay us less than the fees described above. These exceptions create a conflict of interest in that MSSB could have an incentive to recommend a mutual fund from a family that pays the full fee.

These arrangements are described under "Important Information about Mutual Funds and Revenue Sharing at: <http://www2.morganstanley.com/wealth/investmentsolutions/mutualfunds.asp>.

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

Mutual fund companies typically offer different ways to buy mutual fund shares. Some mutual funds only offer one share class for a particular fund while some funds offer many types of share classes. In addition to the more broadly known retail share classes (A, B and C shares), fund companies have developed additional types of specialized share classes designed for specific advisory programs. If available, clients' shares are converted into the share class required by the mutual fund for that type of account. Depending on the circumstances, clients' shares may be converted into a share class that has a lower or a higher expense ratio. Advisory share classes usually have a lower expense ratio than non-advisory share classes. Currently, the TRAK Fund Solution program uses both non-advisory and advisory share classes. Other MSSB advisory programs use advisory share classes exclusively. Please contact your Financial Advisor if you would like to learn more about those programs. Please note that those other programs do not offer all of the features that are offered in TRAK Fund Solution. Once we make an advisory share class available for a particular mutual fund, clients can only buy the advisory class shares (not the non-advisory class shares) of that mutual fund in the program.

With regard to the TRAK Fund Solution program, if available, we (without notice to you) may convert any mutual fund in your account to a share class of the same mutual fund which is a load-waived or no-load share class such as an Institutional ("I") share, Financial Intermediary ("FI") share, or advisory program share. On termination of your account, or the transfer of mutual fund shares out of your advisory account into a MSSB brokerage account, we will convert any I shares, FI shares and/or advisory shares to the corresponding non-advisory share class. The non-advisory mutual fund share class generally has higher operating expenses than the corresponding FI, I and advisory share classes, which may negatively impact investment performance.

Cash Sweeps

Generally, some portion of your account will be held in cash. MSSB, as your custodian, will effect "sweep" transactions of 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 ("BDP") or
- money market mutual funds (each, a "Money Market Fund" and, together with BDP Deposit Accounts, "Sweep Investments"). The Money Market Funds are managed by Morgan Stanley Investment Management Inc. or another MSSB affiliate.

If you do not select a Sweep Investment when you open your account, your Sweep Investment will be BDP if you are eligible.

MSSB may with 30 days written notice (i) make changes to these sweep terms; (ii) make changes to the terms and conditions of any available sweep investment; (iii) change, add, or delete products available as sweep options; (iv) transfer your sweep investment from one sweep product to another.

Clients that are considered Retirement Accounts or are Coverdell Education Savings Accounts should read the Exhibit to this Brochure ("Affiliated Money Market Funds Fee Disclosure Statement and Float Disclosure Statement").

MSSB will effect sweep transactions only to the extent permitted by law and if you meet the Sweep Investment's eligibility criteria.

In the TRAK Fund Solution and TRAK CGCM programs, the Sweep Investment is held in the brokerage component of your account.

Bank Deposit Program. Through the Bank Deposit Program, Deposit Accounts are established for you at one or more of the following banks (individually and collectively the "Sweep Banks"): (i) Morgan Stanley Bank, N.A. or (ii) Morgan Stanley Private Bank, National Association. The Sweep Banks are affiliated with MSSB. The Sweep Banks pay interest on the Deposit Accounts established under the BDP. Your deposits at the Sweep Banks will be insured by the Federal Deposit Insurance Corporation ("FDIC") up to applicable limits, in accordance with FDIC rules, and subject to aggregation of all the accounts (including, without limitation, certificates of deposit that you hold at the Sweep Banks in the same capacity). Bank deposits held through the BDP are not covered by SIPC or excess

coverage).

If BDP is your Sweep Investment, you authorize us, as your agent, to establish the Deposit Accounts for you, and to make deposits into, withdrawals from and transfers among the Deposit Accounts.

Terms of the Bank Deposit program are further described in the Bank Deposit Program Disclosure Statement, which will be provided to you upon your first investment in the Bank Deposit Program. You may also obtain the Bank Deposit Program Disclosure Statement as well as current interest rates applicable to your account, by contacting your Financial Advisor or through MSSB's web site at http://www.morganstanley.com/wealth-investmentstrategies/pdf/BDP_disclosure.pdf. You acknowledge and understand that we may amend the list of Sweep Banks at any time with 30 days written notice to you. If you are participating in the Bank Deposit Program, please read the Bank Deposit Program Disclosure Statement carefully.

Please note the following: (i) you are responsible to monitor the total amount of deposits you have at each Sweep Bank in order to determine the extent of FDIC coverage available to you; and (ii) MSSB is not responsible for any insured or uninsured portion of your deposits at any of the Sweep Banks.

If BDP is your Sweep Investment, you should be aware that each Sweep Bank will pay MSSB a fee equal to the percentage of the average daily deposit balances in your Deposit Accounts at the Sweep Banks. Your Financial Advisor will not receive cash compensation of credits in connection with the BDP for assets in the Deposit Accounts for Retirement Accounts or Coverdell Education Savings Accounts. Also, the affiliated Sweep Banks have the opportunity to earn income on the BDP assets through lending activity, and that income is usually significantly greater than the fees MSSB earns on affiliated Money Market Funds. Thus, MSSB has a conflict of interest in selecting or recommending BDP as the Sweep Investment, rather than an eligible Money Market Fund.

Unless otherwise specifically disclosed to you in writing, such as in connection with the Bank Deposit Program noted above, investments and services offered through MSSB are not insured by the FDIC, are not deposits or other obligations of, or guaranteed by, the Sweep Banks, and involve investment risks, including possible loss of the principal invested.

Money Market Funds. We may, in our sole discretion, offer Money Market Funds as Sweep Investments. The Money Market Funds are affiliated with MSSB. You understand that purchases and redemptions of Money Market Fund shares may be effected only through MSSB and that you may not directly access the Money Market Fund.

If a Money Market Fund is your Sweep Investment, you authorize us, as your agent, to make investments in, and redemptions from, the Money Market Fund.

Each of these Money Market Funds is a separate investment with a different investment objective. Their fees, expenses, minimum investment requirements, dividend policies and procedures may vary. Before you invest in any Money Market Fund, read its prospectus carefully. Money Market Fund shares are neither insured nor protected by the FDIC. Investment in a

Money Market Fund is a purchase of securities issues by the Money Market Fund, not a bank deposit.

In addition, certain of the Money Market Funds have minimum balance requirements. For eligible Accounts, if your investment falls below the minimum balance requirement, MSSB may redeem and reinvest all of your shares in the BDP. Once your sweep option has been changed, we will not automatically change it back to your previous Sweep Investment even if you meet the minimum initial investment and/or balance requirements. You must contact your Financial Advisor to do so. However, if a pattern develops of falling below the minimum balance requirement, we may preclude you from investing in the Sweep Investment in the future.

We may offer other money market funds as a non-sweep investment choice. You may purchase shares in these money market funds by giving specific orders for each purchase to your Financial Advisor. However, uninvested cash in your account will not be swept into these money market funds.

Since the Money Market Funds are sponsored or managed by MSSB affiliates, those MSSB affiliates receive advisory fees and may receive other fees from the Money Market if your account cash balances are invested in the Money Market Funds. Therefore, MSSB has a conflict of interest in selecting or recommending the Money Market Funds as your Sweep Investment. For Retirement Accounts with cash balances invested in Money Market Funds sponsored or managed by MSSB affiliates, certain fees received and retained by such MSSB affiliates will be credited to the account or offset against the advisory program fee. Please see the attached Exhibit "Money Market Funds Fee Disclosure Statement and Float Disclosure Statement" for more details.

The above provision may not apply if you are not a U.S. resident. If you are not a U.S. resident, please contact your Financial Advisor to determine whether the BDP or a Money Market Fund will be your default sweep option.

Alternatives to the Bank Deposit Program

All accounts that are eligible can choose from among certain Sweep Investments as alternatives to the Bank Deposit Program. Please contact your Financial Advisor for more information about choosing an alternative Sweep Investment. In addition, you may obtain information with respect to current yields and interest rates on the available Sweep Investments by contacting your Financial Advisor or through MSSB's web site at: www.morganstanley.com/wealth/investmentstrategies/ratemonitor.asp.

Miscellaneous. The rate of return on a Sweep Investment may be higher or lower than the rate of return available in other Sweep Investments. Neither MSSB nor any affiliate is responsible to you if the default Sweep Investment has a lower rate than the other available Sweep Investments or causes any tax consequences resulting from your investment in the default Sweep Investments available in your account. We may, in our sole discretion determine and change the Sweep Investments available in your account. We may, at any time, discontinue offering any available Sweep Investment and upon notice to you, cease offering your Sweep Investment. If we cease offering your

Sweep Investment and you do not select a new Sweep Investment, your Sweep Investment will be the default Sweep Investment as designated by us for such account.

Generally, temporary “sweep” transactions of all uninvested cash balances, allocations to cash and cash equivalents, if any, in the account will commence, to the extent permitted by applicable law, on the next business day, with dividends credited to the client on the second business day. If cash is deposited after normal business hours, the deposit may be credited on our recordkeeping system, for purposes of the preceding sentence, as having been received on the following business day. For certain accounts – namely accounts established as Basic Security Accounts that have less than \$1,000 in Sweep Investment – amounts awaiting investment will sweep weekly.

Neither MSSB nor any affiliate will be responsible for any losses resulting from a delay in the investment of cash balances. You authorize us to invest your funds in your Sweep Investment and to satisfy debits in your account by redeeming shares or withdrawing funds, as applicable, from your Sweep Investment. Upon any such sale, gains on your position may be taxable.

You may change your Sweep Investment to another Sweep Investment, if available for your account, by contacting your Financial Advisor. You agree that upon selection of a new Sweep Investment we may, as applicable, sell your shares in, or withdraw your funds from your current Sweep Investment and, as applicable, purchase shares or deposit funds in your new Sweep Investment. There may be a delay between the time we sell shares or withdraw funds from your current Sweep Investment and the time we purchase shares or deposit funds in your new Sweep investment. You may not earn interest or dividends during the time your funds are not invested.

Conflicts of Interest Regarding Sweep Investments

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

If your Sweep Investment is a Money Market Fund, you understand that Morgan Stanley Investment Management Inc. (or another MSSB affiliate) may receive an investment management fee for managing the Money Market Fund and that Morgan Stanley Distributors Inc., or another one of our affiliates, may receive 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. Unless you are a Retirement Account, 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 with 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.

If your Sweep Investment is the Bank Deposit Program, you should be aware that 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 Banks. The fee received by

MSSB may affect the interest rate paid by the Sweep Banks on your Deposit Accounts. Your Financial Advisor will not receive a portion of the fee. In addition, MSSB will not receive the fee in connection with the Program for assets in the Deposit Accounts for Retirement Accounts. Affiliates of MSSB, however, may receive a financial benefit in the form of credit allocations made for financial reporting purposes. 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.

In addition, the Sweep Banks and their affiliates receive other financial benefits 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 Banks and other costs of maintaining the Deposit Accounts, and the interest rate and other income earned by the Sweep Banks 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 us and our affiliates from managing and distributing the Money Market Funds available to you as a sweep investment.

Morgan Stanley may withhold any tax to the extent required by law and may remit such taxes to the appropriate governmental authority.

D. Compensation to Financial Advisors

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

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

Item 5: Account Requirements and Types of Clients

The TRAK Fund Solution program generally has a minimum account size of \$10,000. The TRAK CGCM program generally has a minimum account size of \$5,000.

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

Item 6: Portfolio Manager Selection and Evaluation

A. Selection and Review of Funds for the Programs

In the TRAK Fund Solution program, we offer a wide range of mutual funds that we have selected and approved. Item 4.A above describes the basis on which we recommend particular funds to particular clients. This Item 6.A describes more generally how we select and terminate funds from the TRAK Fund Solution program, and certain requirements for sub-advisors in TRAK CGCM.

GIMA evaluates mutual funds. Funds may only participate in the TRAK Fund Solution program if they are on GIMA's Focus List or Approved List discussed below. You may obtain these lists from your Financial Advisor. In each program, only some of the mutual funds on the Focus List and Approved List may be available. The separately managed account managers and ETFs on the Focus List and Approved List are not offered in the programs described in this brochure.

As well as requiring mutual funds to be on the Focus List or Approved List, we look at other factors in determining which mutual funds we offer in these programs, including:

- program needs (such as whether we have a sufficient number of mutual funds available in an asset class) and
- client demand.

We automatically terminate mutual funds in the TRAK Fund Solution program if GIMA downgrades them to "Not Approved." We may terminate mutual funds from these programs for other reasons (i.e. - the mutual fund has a low level of assets under management in the program, the mutual fund has limited capacity for further investment, or the mutual fund is not complying with our policies and procedures).

Focus List. To be considered for the Focus List, a mutual fund provides GIMA with relevant documentation about its strategy, which may include a Request For Information (RFI), holdings, past performance information and marketing literature. GIMA personnel may also interview the fund's manager and its key personnel, and examine its operations. Following this review process, mutual funds are placed on the Focus List if they meet the required standards for Focus List status. Additional factors for consideration may include personnel depth; turnover and

experience; investment process; business and organizational characteristics; and investment performance.

GIMA periodically reviews mutual funds on the Focus List. GIMA considers a broad range of factors (including investment performance, staffing, operational issues and assets under management). Among other things, GIMA personnel interview fund personnel periodically to discuss these matters. If GIMA is familiar with a mutual fund following repeated reviews, GIMA is likely to focus on quantitative analysis and interviews and not require in-person meetings.

Approved List. The process for including mutual funds on the Approved List is less comprehensive. Mutual Fund firms provide GIMA with relevant documentation on the strategy being evaluated, which may include an RFI, sample portfolios, asset allocation histories, the Form ADV of the fund's investment advisor, past performance information and marketing literature. GIMA personnel may also interview fund personnel, typically via conference call. Additional factors for consideration may include personnel depth, turnover and experience; investment process; business and organizational characteristics; and investment performance.

GIMA periodically evaluates mutual funds on the Approved List and Focus List to determine whether they continue to meet the appropriate standards.

Changes in Status from Focus List to Approved List. GIMA may determine that a mutual fund no longer meets the criteria for the Focus List, but meets the criteria for the Approved List. If so, MSSB generally notifies program clients regarding such status changes on a quarterly basis.

Changes in Status to Not Approved. GIMA may determine that a mutual fund no longer meets the criteria for either the Focus List or the Approved List and therefore the mutual fund will no longer be recommended in MSSB investment advisory programs. We notify affected TRAK Fund Solution clients of these downgrades. You cannot retain downgraded mutual funds in your TRAK Fund Solution accounts and must select a replacement from the Approved List or Focus List, that is available in the program, if you wish to retain the program's benefits with respect to the affected assets.

In some circumstances, you may be able to retain terminated mutual funds in another advisory program or in a brokerage account subject to the regular terms and conditions applying to that program or account. Ask your Financial Advisor about these options.

In the TRAK Fund Solution program, MSSB generally specifies a replacement mutual fund (as discussed in Item 4.A above). In selecting the replacement mutual fund, GIMA generally looks for a mutual fund in the same asset class, and with similar attributes to the terminated mutual fund.

Watch Policy. GIMA has a "Watch" policy for mutual funds on the Focus List and Approved List. Watch status indicates that, in reviewing a mutual fund, GIMA has identified specific areas that (a) merit further evaluation by GIMA and (b) may, but are not certain to, result in the mutual fund becoming "Not Approved." Putting a mutual fund on Watch does not signify an actual change

in GIMA's opinion nor is it a guarantee that GIMA will downgrade the mutual fund. The duration of a Watch status depends on how long GIMA needs to evaluate the mutual fund and for the fund to address any areas of concern. For additional information, ask your Financial Advisor for a copy of GIMA's Watch Policy.

Tactical Opportunities List. GIMA also has a Tactical Opportunities List. This consists of certain mutual funds on the Focus List or Approved List recommended for investment at a given time based in part on then-existing tactical opportunities in the market.

Evaluation of Material Changes to Funds. If MSSB learns of a material change to a fund (e.g. the departure of a Portfolio Manager or Portfolio Management team), MSSB will evaluate the fund in light of this change. This evaluation may take some time to complete. While this evaluation is being performed, the Fund will remain eligible for the TRAK Fund Solution program. The GIMA designation (Focus List or Approved List) for the Fund will not be altered solely because this evaluation is in progress. MSSB will not necessarily notify Clients of any such evaluation.

TRAK CGCM Sub-advisers. Sub-advisers in the TRAK CGCM program must be on GIMA's Focus List or Approved List. GIMA follows similar – but not identical – procedures for evaluating investment managers as the procedures it uses to evaluate mutual funds. If a sub-adviser's status is changed to Not Approved, a replacement sub-adviser is appointed.

Termination of Mutual Funds for reasons other than a GIMA downgrade to "Not Approved." As indicated above, we may terminate mutual funds from the TRAK Fund Solution program due to a GIMA downgrade to "Not Approved" or for various other reasons. A termination for reasons other than a GIMA downgrade to "Not Approved" will be referred to in this ADV Brochure as a "Drop in Coverage."

Once we have decided to institute a Drop in Coverage for an Investment Product, we will generally not permit clients who are not using that mutual fund to select that mutual fund for their TRAK Fund Solution Account. However, for a period of time (generally, about two years), we will permit clients who are using that mutual fund to continue to do so, and to add assets to that mutual fund. This is to allow impacted clients time and flexibility to work with their Financial Advisors to select a replacement mutual fund.

During the period, GIMA will continue to evaluate the impacted mutual fund. If GIMA downgrades the mutual fund to "Not Approved" we will terminate the mutual fund at that time (rather than allowing clients to utilize it for the remainder of the two-year period). During this period after which we have decided to implement a Drop in Coverage, GIMA may rely more heavily on an algorithm or other quantitative factors in its evaluation, and may discontinue preparation of periodic reports or other written materials.

Other Relationships with Funds. Some mutual funds on the Approved List or Focus List (or the funds' managers) may have business relationships with us or our affiliates. For example, a mutual fund or its manager may use Morgan Stanley & Co LLC ("MS&Co") or its affiliates as its broker or may be an investment banking client of MS&Co. or its affiliates. GIMA

does not consider the existence or lack of a business relationship in determining whether to include or maintain a mutual fund on the Approved List or Focus List.

Calculating Performance

We calculate performance and provide our clients with statements showing performance. We do not charge performance based advisory fees in the TRAK programs.

B. Conflicts of Interest

In the programs described in this brochure, no affiliates, related persons or supervised persons of MSSB act as a portfolio manager. Rather, with respect to TRAK CGCM, an affiliate of MSSB acts as a "manager-of-managers" in selecting third-party firms to provide portfolio management services to the CGCM Funds. Also, an affiliate of MSSB may act as investment advisor and distributor to certain funds available in TRAK Fund Solution. MSSB has various conflicts of interest, described below.

Advisory vs. Brokerage Accounts. MSSB and your Financial Advisor are likely to earn more compensation if you invest in a program described in this brochure than if you open a brokerage account to buy individual mutual funds (although, in a brokerage account, you would not receive all the benefits of the programs described in the brochure). Financial Advisors and MSSB therefore have a financial incentive to recommend one of these programs described in this brochure. We address this conflict of interest by disclosing it to you and by requiring Financial Advisors' supervisors to review your account at account-opening to ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances.

Payments From Mutual Fund Companies. Please see the discussion in Item 4.C.

Payments from Managers. Please see the discussion of Global and Emerging Partners in Item 4.C.

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

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

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

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

- **Order Flow.** An agreement that, subject to best execution, MSSB will transmit a percentage of client orders for the purchase and sale of securities to MS&Co., and their affiliates. MSSB has a conflict of interest in transmitting client orders to these entities.
- **Distribution.** MSSB may market and promote certain securities and other products underwritten, distributed or sponsored by MS&Co or their affiliates. MSSB has a conflict of interest in offering, recommending or selling any such security or other product to its clients.

MSSB Affiliates in an Underwriting Syndicate. If an affiliate of MSSB is a member of an underwriting syndicate from which a security is purchased, we or our affiliates may directly or indirectly benefit from such purchase.

Affiliated Investments. MSSB has a conflict of interest in selecting or recommending the Bank Deposit Program or Money Market Funds as the Sweep Investment. Affiliated mutual funds may be offered in the TRAK Fund Solution program. We and our Financial Advisors have a conflict of interest when recommending affiliated funds. See Item 4.C above for more information.

C. Financial Advisors Acting as Portfolio Managers

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

Item 7: Client Information Provided to Portfolio Managers

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

Item 8: Client Contact with Portfolio Managers

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

Item 9: Additional Information Disciplinary Information

This section contains information on certain legal and disciplinary events.

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

- On May 31, 2005, the SEC issued an order in connection with the settlement of an administrative proceeding against

Smith Barney Fund Management LLC (“SBFM”) and CGM relating to the appointment of an affiliated transfer agent for the Smith Barney family of mutual funds (“Smith Barney Funds”). SBFM was an affiliate of CGM during the applicable period.

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

The SEC censured SBFM and CGM and ordered them to cease and desist from violations of sections 206(1) and 206(2) of the Advisers Act. The order required Citi to pay \$208.1 million, including \$109 million in disgorgement of profits, \$19.1 million in interest, and a civil money penalty of \$80 million. Approximately \$24.4 million has already been paid to the Smith Barney Funds, primarily through fee waivers. The remaining \$183.7 million, including the penalty, has been paid to the U.S. Treasury.

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

- In a LAWC dated August 1, 2005, the NASD found that MSDW failed to establish and maintain a supervisory system, including written procedures, reasonably designed to review and monitor MSDW’s fee-based brokerage business, between January 2001 and December 2003. Without admitting or denying the allegations, MSDW consented to the described

sanctions and findings and was censured and fined \$1.5 million, and agreed to the payment of restitution to 3,549 customers in the total amount of approximately \$4.7 million, plus interest.

- The SEC alleged that MS&Co. violated the Exchange Act by inadvertently failing to timely produce emails to the SEC staff pursuant to subpoenas in the SEC's investigation into MS & Co.'s practices in allocating shares of stock in IPOs and an investigation into conflicts of interest between MS & Co.'s research and investment banking practices. Without admitting or denying the allegations, MS&Co. consented to a final judgment on May 12, 2006 in which it was permanently restrained and enjoined from violating the Exchange Act. MS&Co. agreed to make payments aggregating \$15 million, which amount was reduced by \$5 million contemporaneously paid by MS&Co. to the NASD and the NYSE in related proceedings. MS&Co. also agreed to notify the SEC, the NASD and the NYSE that it has adopted and implemented policies and procedures reasonably designed to ensure compliance with the Exchange Act. MS&Co. also agreed to provide annual training to its employees responsible for preserving or producing electronic communications and agreed to retain an independent consultant to review and comment on the implementation and effectiveness of the policies, procedures and training.
- On June 27, 2006, the SEC announced the initiation and concurrent settlement of administrative cease and desist proceedings against MS&Co. and MSDW for failing to maintain and enforce adequate written policies and procedures to prevent the misuse of material nonpublic information. The SEC found that from 1997 through 2006, MS&Co. and MSDW violated the Exchange Act and the Advisers Act by failing to (1) conduct any surveillance of a number of accounts and securities; (2) provide adequate guidance to MS & Co.'s and MSDW's personnel charged with conducting surveillance; and (3) have adequate controls in place with respect to certain aspects of "Watch List" maintenance. The SEC's findings covered different areas from the 1997 through 2006 time period. MS&Co. and MSDW were ordered to pay a civil money penalty of \$10 million and agreed to enhance their policies and procedures.
- On August 21, 2006, MS&Co. and MSDW entered into a LAWC relating various finds that, at various times between July 1999 and 2005, MS&Co. violated a number of NASD and SEC rules. The violations related to areas including trade reporting through the Nasdaq Market Center (formerly Automated Confirmation Transaction Service (ACT)), Trade Reporting and Compliance Engine (TRACE) and Order Audit Trail System (OATS); market making activities; trading practices; short sales; and large options positions reports. The NASD also found that, at various times during December 2002 and May 2005, MSDW violated NASD rules and Municipal Securities Rulemaking Board ("MSRB") rules related to areas including trade reporting through TRACE, short sales, and OATS. The NASD further found that, in certain cases, MS&Co. and MSDW violated NASD Rule 3010 because their supervisory systems did not provide supervision reasonably designed to achieve compliance with securities laws, regulations and/or rules.
- Without admitting or denying the findings, MS&Co. and MSDW consented to the LAWC. In the LAWC, MS&Co. and MSDW were censured, required to pay a monetary fine of \$2.9 million and agreed to make restitution to the parties involved in certain transactions, plus interest, from the date of the violative conduct until the date of the LAWC. MS&Co. and MSDW also consented to (1) revise their written supervisory procedures; and (2) provide a report that described the corrective action that they completed during the year preceding the LAWC to address regulatory issues and violations addressed in the LAWC, and the ongoing corrective action that they were in the process of completing.
- On May 9, 2007, the SEC issued an Order ("May 2007 Order") settling an administrative action with MS&Co. In this matter, the SEC found that MS&Co. violated its duty of best execution under the Exchange Act. In particular, the SEC found that, during the period of October 24, 2001 through December 8, 2004, MS & Co.'s proprietary market-making system failed to provide best execution to certain retail OTC orders. In December 2004, MS&Co. removed the computer code in the proprietary market-making system that caused the best execution violations. MS&Co. consented, without admitting or denying the findings, to a censure, to cease and desist from committing or causing future violations, to pay disgorgement of approximately \$5.9 million plus prejudgment interest on that amount, and to pay a civil penalty of \$1.5 million. MS&Co. also consented to retain an Independent Compliance Consultant to review its policies and procedures in connection with its market-making system's order handling procedures and its controls relating to changes to those procedures, and to develop a better plan of distribution.
- On July 13, 2007, the NYSE issued a Hearing Board Decision in connection with the settlement of an enforcement proceeding brought in conjunction with the New Jersey Bureau of Securities against CGM. The decision held that CGM failed to (1) adequately supervise certain branch offices and Financial Advisors who engaged in deceptive mutual fund market timing on behalf of certain clients from January 2000 through September 2003 (in both proprietary and non-proprietary funds); (2) prevent the Financial Advisors from engaging in this conduct; and (3) make and keep adequate books and records. Without admitting or denying the findings, CGM agreed to (a) a censure; (b) establishing a \$35 million distribution fund for disgorgement payments; (c) a penalty of \$10 million (half to be paid to the NYSE and half to be paid to the distribution fund); (d) a penalty of \$5 million to be paid to the State of New Jersey; and (e) appointing a consultant to develop a plan to pay CGM's clients affected by the market timing.
- On September 27, 2007, MS&Co. entered into a LAWC with the Financial Industry Regulatory Authority ("FINRA"). FINRA found that, from October 2001 through March 2005, MSDW provided inaccurate information to arbitration claimants and regulators regarding the existence of pre-September 11, 2001 emails, failed to provide such emails in response to discovery requests and regulatory inquiries, failed adequately to preserve books and records, and failed to establish and maintain systems and written procedures

reasonably designed to preserve required records and to ensure that it conducted adequate searches in response to regulatory inquiries and discovery requests. FINRA also found that MSDW failed to provide arbitration claimants with updates to a supervisory manual in discovery from late 1999 through the end of 2005. MS&Co. agreed, without admitting or denying these findings, to establish a \$9.5 million fund for the benefit of potentially affected arbitration claimants. In addition, MS&Co. was censured and agreed to pay a \$3 million regulatory fine and to retain an independent consultant to review its procedures for complying with discovery requirements in arbitration proceedings relating to its retail brokerage operations.

- On October 10, 2007, MS&Co. became the subject of an Order Instituting Administrative and Cease-And-Desist Proceedings (“October 2007 Order”) by the SEC. The October 2007 Order found that, from 2000 until 2005, MS&Co. and MSDW failed to provide to their retail customers accurate and complete written trade confirmations for certain fixed income securities in violation of the Exchange Act and MSRB rules. In addition, MS&Co. was ordered to cease and desist from committing or causing any future violations, and was required to pay a \$7.5 million penalty and to retain an independent consultant to review MS & Co.’s applicable policies and procedures. MS&Co. consented to the issuance of the October 2007 Order without admitting or denying the SEC’s findings.
- On December 18, 2007, MS&Co. became the subject of an Order Instituting Administrative Cease-and-Desist Proceedings (“December 2007 Order”) by the SEC. The December 2007 Order found that, from January 2002 until August 2003, MSDW (1) failed to reasonably supervise four Financial Advisors, with a view to preventing and detecting their mutual fund market-timing activities and (2) violated the Investment Company Act of 1940 by allowing multiple mutual fund trades that were placed or amended after the close of trading to be priced at that day’s closing net asset value. The December 2007 Order also found that, from 2000 through 2003, MSDW violated the Exchange Act by not making and keeping records of customer orders placed after the market close and orders placed for certain hedge fund customers in variable annuity sub-accounts. Without admitting or denying the SEC’s findings, MS&Co. agreed to a censure, to cease and desist from future violations of the applicable provisions, to pay a penalty of approximately \$11.9 million, to disgorge profits related to the trading activity (including prejudgment interest) of approximately \$5.1 million and to retain an independent distribution consultant.
- In May 2005, MS&Co. and MSDW discovered that, from about January 1997 until May 2005, their order entry systems did not check whether certain secondary market securities transactions complied with state registration requirements known as Blue Sky laws. This resulted in the improper sale of securities that were not registered in 46 state and territorial jurisdictions. MS&Co. and MSDW conducted an internal investigation, repaired system errors, self-reported the problem to all affected states and the New York Stock Exchange, identified transactions which were executed in violation of the Blue Sky laws, and offered rescission to

affected customers. MS&Co. settled the state regulatory issues in a multi-state settlement with the 46 affected state and territorial jurisdictions. Under the settlement, MS&Co. consented to a cease and desist order with, and agreed to pay a total civil monetary penalty of \$8.5 million to be divided among, each of the 46 state and territorial jurisdictions. The first order was issued by Alabama on March 19, 2008, and orders are expected to be issued by subsequent states over the coming months.

- On August 13, 2008, MS&Co. agreed on the general terms of a settlement with the NYAG and the Office of the Illinois Secretary of State, Securities Department (“Illinois”) (on behalf of a task force of the North American Securities Administrators Association (“NASAA”)) with respect to the sale of auction rate securities (“ARS”). MS&Co. agreed, among other things, to repurchase at par approximately \$4.5 billion of illiquid ARS held by certain clients of MS&Co. which were purchased prior to February 13, 2008. Additionally, MS&Co. agreed to pay a total fine of \$35 million. Final agreements were entered into with the NYAG on June 2, 2009 and with Illinois on September 17, 2009. The Illinois agreement serves as the template for agreements with other NASAA jurisdictions.
- On November 13, 2008, in connection with the settlement of a civil action arising out of an investigation by the SEC into CGM’s underwriting, marketing and sale of ARS, CGM, without admitting or denying the allegations of the SEC’s complaint, except as to those relating to personal and subject matter jurisdiction, which were admitted, consented to the entry in the civil action of a Judgment As To Defendant Citigroup Global Markets Inc. (“November 2008 Judgment”). Thereafter, on December 11, 2008, the SEC filed its civil action in the federal district court for the Southern District of New York (“Court”). The November 2008 Judgment, which was entered on December 23, 2008 (i) permanently enjoined CGM from directly or indirectly violating section 15(c) of the Exchange Act; (ii) provides that, on later motion of the SEC, the Court is to determine whether it is appropriate to order that CGM pay a civil penalty pursuant to section 21(d)(3) of the Exchange Act, and if so, the amount of the civil penalty; and (iii) ordered that CGM’s Consent be incorporated into the November 2008 Judgment and that CGM comply with all of the undertakings and agreements in the Consent, which include an offer to buy back at par certain ARS from certain customers. The SEC’s complaint alleged that (1) CGM misled tens of thousands of its customers regarding the fundamental nature of and risks associated with ARS that CGM underwrote, marketed and sold; (2) through its financial advisers, sales personnel and marketing materials, CGM misrepresented to customers that ARS were safe, highly liquid investments comparable to money market instruments; (3) as a result, numerous CGM customers invested in ARS funds they needed to have available on a short-term basis; (4) in mid-February 2008, CGM decided to stop supporting the auctions; and (5) as a result of the failed auctions, tens of thousands of CGM customers held approximately \$45 billion of illiquid ARS, instead of the liquid short-term investments CGM had represented ARS to be. CGM reached substantially similar settlements with the NYAG and the Texas State Securities Board (“TSSB”), although those settlements were administrative in nature and

neither involved the filing of a civil action in state court. The settlements with the NYAG and the TSSB differed somewhat from the settlement with the SEC in that the state settlements (a) made findings that CGM failed to preserve certain recordings of telephone calls involving the ARS trading desk; and (b) required CGM to refund certain underwriting fees to certain municipal issuers. In addition, as part of the settlement with New York, CGM paid a civil penalty of \$50 million. CGM also agreed in principle to pay to states other than New York with which it enters into formal settlements a total of \$50 million. CGM paid \$3.59 million of this \$50 million to Texas as part of the settlement with that state. CGM expects it will reach settlements with the remaining states.

- On March 25, 2009, MS&Co. entered into a LAWC with FINRA. FINRA found that, from 1998 through 2003, MSDW failed to reasonably supervise the activities of two Financial Advisors in one of its branches. FINRA found that these Financial Advisors solicited brokerage and investment advisory business from retirees and potential retirees of certain large companies by promoting unrealistic investment returns and failing to disclose material information. FINRA also held that MS&Co. failed to ensure that the securities and accounts recommended for the retirees were properly reviewed for appropriate risk disclosure, suitability and other concerns. MS&Co. consented, without admitting or denying the findings, to a censure, a fine of \$3 million, and restitution of approximately \$2.4 million plus interest to 90 former clients of the Financial Advisors.

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

Other Financial Industry Activities and Affiliations

Morgan Stanley ("Morgan Stanley Parent") is a financial holding company under the Bank Holding Company Act of 1956. Morgan Stanley Parent is a corporation whose shares are publicly held and traded on the New York Stock Exchange. Prior to June 28, 2013 MSSB was owned by a joint venture company which was indirectly owned 65% by Morgan Stanley Parent and 35% by Citigroup, Inc. ("Citi"). On June 28, 2013, Morgan Stanley Parent purchased Citi's interest in MSSB. Accordingly, MSSB is now a wholly-owned subsidiary of Morgan Stanley Parent.

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

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

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

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

These restrictions may adversely impact client account performance.

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

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

Morgan Stanley Distribution Inc. serves as distributor for these open-end investment companies, and has entered into selected dealer agreements with MSSB and affiliates. Morgan Stanley Distribution 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 Services Company Inc., an affiliate of MSSB, serves as transfer agent and dividend disbursing agent for investment companies advised by Morgan Stanley Investment Management Inc. and other affiliated investment advisers and may receive annual per shareholder account fees from or with respect to them and certain nonaffiliated investment companies.

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

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

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

Code of Ethics

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

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

- An Employee who wishes to conduct business activity outside of his or her employment with MSSB, regardless of whether that Employee receives compensation for this activity, must first obtain written authorization from his or her supervisor. Outside activities include serving as an officer or director of a business organization or non-profit entity, and accepting compensation from any person or organization other than MSSB.
- Employees are generally prohibited from giving or receiving gifts or gratuities greater than \$100 per recipient per calendar year to or from persons or organizations with which MSSB has a current or potential business relationship, clients, or persons connected with another financial institution, a securities or commodities exchange, the media, or a government or quasi-governmental entity.
- Employees cannot enter into a lending arrangement with a client (unless they receive prior written approval from their supervisor and MSSB's Compliance Department).
- MSSB maintains a "Restricted List" of issuers for which it may have material non-public information or other conflicts of interest. Employees cannot, for themselves or their clients, trade in securities of issuers on the "Restricted List" (unless they receive prior written approval from the Compliance department).
- Certain Employees, because of their potential access to non-public information, must obtain prior written approval or provide pre-trade notification before executing certain securities transactions for their personal securities accounts. All Employees must also follow special procedures for investing in private securities transactions.
- Certain Employees are subject to further restrictions on their securities transaction activities (including Financial Advisors and other MSSB employees who act as portfolio managers in

MSSB investment advisory programs).

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

Reviewing Accounts

At account opening, your Financial Advisor must ensure that, he or she and the Financial Advisor's Branch Manager confirms that, the account and the investment style are suitable investments for you.

Your Financial Advisor is then responsible for reviewing your account on an ongoing basis.

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

Client Referrals and Other Compensation

See "Funds in Advisory Programs" in Item 4.C above and Item 6. MSSB's Professional Alliance Group program allows certain unaffiliated third parties to refer clients to MSSB. If the client invests in an investment advisory program, MSSB pays the third party an ongoing referral fee (generally about 25% of the portion of the client fee that MSSB would otherwise allocate to the Financial Advisor). MSSB may pay a fee greater or less than 25% depending on the facts and circumstances of the relationship.

Financial Information

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

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

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

Exhibit: Affiliated Money Market Funds Fee Disclosure Statement and Float Disclosure Statement

Sweep Vehicles in Retirement Accounts and CESAs

Since the dates below (“Effective Dates”), the following “Retirement Plan Accounts” (IRAs, Employee Benefit Plans (“EBTs”), Retirement Plan Managers (“RPM” accounts) and Versatile Investment Program (“VIP” accounts) and Coverdell Education Savings Accounts (“CESAs”) have generally been effecting temporary sweep transactions of new uninvested cash balances into Deposit Accounts established under the Bank Deposit Program (although accounts that were formerly managed by Citigroup Global Markets, Inc. (“SB Channel Retirement Plan accounts”) did not begin using BDP as the Sweep Investment until MSSB merged its SB Channel and MS Channel in 2012):

- September 17, 2007 for IRAs (e.g., Traditional, Roth, Rollover, SEP, SAR-SEP, SIMPLE), and
- May 19, 2008 for the remaining Retirement Plan Accounts (i.e., EBT, RPM and VIP accounts) and CESAs.

Before the Effective Dates, MSSB effected such sweep transactions using the Morgan Stanley money market funds listed in the table below as follows (although SB Channel Retirement Plan accounts did not begin using these Morgan Stanley money market funds as Sweep Investments until sometime after the Effective Date):

- IRAs or CESAs in advisory programs swept into the Morgan Stanley Liquid Asset Fund Inc. (“ILAF”) and
- all other Retirement Plan Accounts in advisory programs swept into one or a number of different proprietary mutual funds (which could have included ILAF) depending on the type of account and the advisory program.

As of the Effective Dates, any existing balances in these Morgan Stanley money market funds remained in the funds, pending use for account charges and other purposes. Therefore, these accounts could still maintain cash balances in these funds.

Now, as an alternative to the Deposit Account, Retirement Plan Accounts and CESAs can choose to sweep into ILAF.

For Retirement Plan Accounts that swept into affiliated money market funds before the Effective Dates and continue to hold cash amounts in these funds or that now select one of these funds:

- any fee designated in the table below as “Advisory Fee” received by an MSSB affiliate is offset against the advisory program fees and
- any fees designated in the table as “Distribution and Service Fees” received by MSSB or its affiliates is credited to the account.

Accordingly, changes in these fees over time did not affect the fees paid by Retirement Plan Accounts.

Interest Earned on Float

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

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

This interest is generally at the prevailing Federal Funds interest rate. Generally, with respect to such assets awaiting investment:

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

MSSB as an ERISA Fiduciary

If MSSB is a fiduciary (as that term is defined under ERISA or the Code) with respect to the Retirement Plan Account, the table below describes the fees and expenses charged to assets invested in shares of the money market funds in which the account invests (expressed as a percentage of each fund’s average daily net assets for the stated fiscal year). Note that:

- The rate of Advisory Fee and Distribution and Service Fees (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).

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

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

MSSB believes that investing in shares of the funds for sweep purposes may be appropriate for Retirement Plans because using professionally managed money market funds allows you to access cash on an immediate basis, while providing a rate of return on your cash positions pending investment. As is typical of such arrangements, we use only affiliated money funds for this purpose.

MSSB also believes that investing a 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.

The fund expense information below reflects the most recent information available to us as of March 13, 2013, and is subject to change. Please refer to the funds' current prospectuses, statements of additional information and annual reports for more information.

| Fund | Advisory Fee | Distribution and Service Fees | Other Expenses | Total Annual Fund Operating Expenses | Total Annual Fund Operating Expenses After Fee Waivers and/or Expense Reimbursements |
|---|-------------------------|--|---------------------------|---|---|
| Active Assets Money Trust | 0.25% | 0.10% | 0.07% | 0.42% | 0.18% |
| Active Assets Government Securities Trust | 0.45% | 0.10% | 0.11% | 0.66% | 0.08% |
| Active Assets Institutional Government Securities Trust | 0.10% | None | 0.08% | 0.18% | 0.17% |
| Active Assets Institutional Money Trust | 0.10% | None | 0.08% | 0.18% | 0.17% |
| Morgan Stanley Liquid Asset Fund Inc. | 0.23% | 0.10% | 0.13% | 0.47% | 0.19% |
| Morgan Stanley U.S. Government Money Market Trust | 0.36% | 0.10% | 0.10% | 0.56% | 0.10% |

**ADDENDUM RELATING TO THE
TRAK CGCM PROGRAM
DEPARTMENT OF LABOR
PROHIBITED TRANSACTION
EXEMPTION**

Employee Benefits Security Administration

DEPARTMENT OF LABOR

Employee Benefits Security Administration

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

AGENCY: Employee Benefits Security Administration, Labor

ACTION: Notice of proposed exemptions.

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

Written Comments and Hearing Requests

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

ADDRESSES: All written comments and requests for a
hearing (at least three copies) should be sent to the Employee
Benefits Security Administration (EBSA), Office of
Exemption Determinations, Room N-5700, U.S. Department
of Labor, 200 Constitution Avenue, NW., Washington, DC
20210. Attention: Application No. ---, stated in each Notice
of Proposed Exemption. Interested persons are also invited to
submit comments and/or hearing requests to EBSA via e-mail
or FAX. Any such comments or requests should be sent either
by e-mail to: moffitt.betty@dol.gov, or by FAX to (202) 219-
0204 by the end of the scheduled comment period. The

applications for exemption and the comments received will be
available for public inspection in the Public Documents Room
of the Employee Benefits Security Administration, U.S.
Department of Labor, Room N-1513, 200 Constitution
Avenue, NW., Washington, DC 20210

Warning: If you submit written comments or hearing requests,
do not include any personally-identifiable or confidential
business information that you do not want to be publicly-
disclosed. All comments and hearing requests are posted on
the Internet exactly as they are received, and they can be
retrieved by most Internet search engines.

The Department will make no deletions, modifications or
redactions to the comments or hearing requests received, as
they are public records.

Notice to Interested Persons

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

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

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

[Application No. D-11573] Proposed Exemption

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

Section I. Covered Transactions

A. If the exemption is granted, the restrictions of section 406(a)
of the Act and the sanctions resulting from the application of
section 4975 of the Code, by reason of section 4975(c)(1)(A)
through (D) of the Code, shall not apply, effective May 31,
2009, to the purchase or redemption of shares by an employee
benefit plan, an individual retirement account (an IRA), a

retirement plan for self-employed individuals (a Keogh Plan), or an individual account pension plan that is subject to the provisions of Title I of the Act and established under section 403(b) of the Code (the Section 403(b) Plan) (collectively, the Plans) in the Trust for Consulting Group Capital Markets Funds (the Trust), sponsored by MSSB in connection with such Plans' participation in the TRAK Personalized Investment Advisory Service (the TRAK Program).

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

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

Section II. General Conditions

- A. The participation of Plans in the TRAK Program is approved by an Independent Plan Fiduciary. For purposes of this requirement, an employee, officer or director of the Adviser and/or its affiliates covered by an IRA not subject to Title I of the Act will be considered an Independent Plan Fiduciary with respect to such IRA.
- B. The total fees paid to the Adviser and its affiliates will constitute no more than reasonable compensation.
- C. No Plan pays a fee or commission by reason of the acquisition or redemption of shares in the Trust.
- D. The terms of each purchase or redemption of Trust shares remain at least as favorable to an investing Plan as those obtainable in an arm's length transaction with an unrelated party.
- E. The Adviser provides written documentation to an Independent Plan Fiduciary of its recommendations or evaluations based upon objective criteria.
- F. Any recommendation or evaluation made by the Adviser to an Independent Plan Fiduciary is implemented only at the express direction of such Independent Plan Fiduciary, provided, however, that:
 - (1) If such Independent Plan Fiduciary elects in writing (the Election), on a form designated by the Adviser from time to time for such purpose, to participate in the Automatic Reallocation Option under the TRAK Program, the affected

Plan or participant account is automatically reallocated whenever the Adviser modifies the particular asset allocation recommendation which the Independent Plan Fiduciary has chosen. Such Election continues in effect until revoked or terminated by the Independent Plan Fiduciary in writing.

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

(3) If the change in the Adviser's asset allocation recommendation exceeds an increase or decrease of more than 10 percent in the absolute percentage allocated to any one investment medium (e.g., a suggested increase in a 15 percent allocation to greater than 25 percent, or a decrease of such 15 percent allocation to less than 5 percent), the Adviser sends out a written notice (the Notice) to all Independent Plan Fiduciaries whose current investment allocation may be affected, describing the proposed reallocation and the date on which such allocation is to be instituted (the Effective Date). If the Independent Plan Fiduciary notifies the Adviser, in writing, at any time within the period of 30 calendar days prior to the proposed Effective Date that such fiduciary does not wish to follow such revised asset allocation recommendation, the Allocation Model remains at the current level, or at such other level as the Independent Plan Fiduciary then expressly designated, in writing. If the Independent Plan Fiduciary does not affirmatively 'opt out' of the new Adviser recommendation, in writing, prior to the proposed Effective Date, such new recommendation is automatically effected by a dollar-for-dollar liquidation and purchase of the required amounts in the respective account. (4) An Independent Plan Fiduciary will receive a trade confirmation of each reallocation transaction. In this regard, for all Plan investors other than Section 404(c) Plan accounts (i.e., 401(k) Plan accounts), MSSB mails trade confirmations on the next business day after the reallocation trades are executed. In the case of Section 404(c) Plan participants, notification depends upon the notification provisions agreed to by the Plan record keeper. (h) The Adviser generally gives investment advice in writing to an Independent Plan Fiduciary with respect to all available Portfolios. However, in the case of a Plan providing for participant-directed investments (the Section 404(c) Plan), the Adviser provides investment advice that is limited to the Portfolios made available under the Plan. (i) Any sub-adviser (the Sub-Adviser) that acts for the Trust to exercise investment discretion over a Portfolio is independent of Morgan Stanley, Inc. (Morgan Stanley), CGMI, MSSB and their respective affiliates (collectively, the Affiliated Entities). (j) Immediately following the acquisition by a Portfolio of any securities that are issued by any Affiliated Entity, such as Citigroup or Morgan Stanley common stock (the Adviser Common Stock), the percentage of that Portfolio's net assets invested in such securities will not exceed one percent. However, this percentage limitation may be exceeded if—

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

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

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

(i) Engaged in the business of providing financial information; (ii) A publisher of financial news information; or (iii) A public stock exchange or association of securities dealers. The Index is created and maintained by an organization independent of the Affiliated Entities and is a generally-accepted standardized Index of securities which is not specifically tailored for use by the Affiliated Entities.

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

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

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

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

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

(A) A copy of the Prospectus for the Trust discussing the investment objectives of the Portfolios comprising the Trust, the policies employed to achieve these objectives, the corporate affiliation existing among the Adviser² and its affiliates, and the compensation paid to such entities.

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

(C) A copy of the investment advisory agreement between the Adviser and such Plan which relates to participation in the

Option.

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

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

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

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

(2) With respect to a Section 404(c) Plan, written acknowledgement of the receipt of such documents is provided by the Independent Plan Fiduciary (i.e., the Plan administrator, trustee or named fiduciary, as the record holder of Trust shares). Such Independent Plan Fiduciary is required to represent in writing to the Adviser that such fiduciary is

(a) independent of the Affiliated Entities and (b) knowledgeable with respect to the Plan in administrative matters and funding matters related thereto, and able to make an informed decision concerning participation in the TRAK Program.

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

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

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

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

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

(5) If required by the arrangement negotiated between the

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

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

(6) On a quarterly and annual basis, written disclosures to all Plans of (a) the percentage of each Portfolio's brokerage commissions that are paid to the Affiliated Entities and (b) the average brokerage commission per share paid by each Portfolio to the Affiliated Entities, as compared to the average brokerage commission per share paid by the Trust to brokers other than the Affiliated Entities, both expressed as cents per share.

(c) The Adviser maintains or causes to be maintained, for a period of (6) six years, the records necessary to enable the persons described in paragraph (m)(1) of this section to determine whether the applicable conditions of this exemption have been met. Such records are readily available to assure accessibility by the persons identified in paragraph (1) of this section.

(1) Notwithstanding any provisions of section 504(a)(2) and (b) of the Act, the records referred to in the first paragraph of this section are unconditionally available at their customary location for examination during normal business hours by--

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

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

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

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

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

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

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

Section III. Definitions

For purposes of this proposed exemption:

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

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

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

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

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

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

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

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

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

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

(2) A participant in a Keogh Plan;

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

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

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

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

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

Section IV. Effective Date

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

Summary of Facts and Representations

1. If granted, the proposed individual exemption described herein would replace Prohibited Transaction Exemption (PTE) 2009-12 (74 FR 13231, March 26, 2009), an exemption previously granted to CGMI. PTE 2009-12 relates to the operation of the TRAK Personalized Investment Advisory Service (the TRAK Program) and the Trust for Consulting Group Capital Markets Funds (the Trust). PTE 2009-12 provides exemptive relief from section 406(a) of the Act and section 4975(c)(1)(A) through (D) of the Code, for the purchase or redemption of shares by various types of Plans, such as ERISA Title I Plans, IRAs, Keogh Plans, and Section

403(b) Plans, whose assets are invested in the Trust that was previously established by Citigroup in connection with such Plans' participation in the TRAK Program. PTE 2009-12 also provides exemptive relief from section 406(b) of the Act and section 4975(c)(1)(E) and (F) of the Code, with respect to the provision, by Citigroup's Consulting Group, of (i) investment advisory services or (ii) an Automatic Reallocation Option to an independent fiduciary of a participating Plan (i.e., the Independent Plan Fiduciary), which may result in such fiduciary's selection of a Portfolio³ in the TRAK Program for the investment of Plan assets.

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

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

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

³ For the avoidance of doubt, unless the context suggests otherwise, the term "Portfolio" includes the Stable Value Investments Fund, a collective trust fund established and maintained by First State Trust Company (First State), formerly a wholly-owned subsidiary of Citigroup.

⁴ 57 FR 45833 (October 5, 1992)

⁵ 59 FR 32024 (June 21, 1994).

⁶ 64 FR 1648 (April 5, 1999).

⁷ 65 FR 54315 (September 7, 2000).

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

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

Replacement of PTE 2009-12

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

⁸ In PTE 2000-45, Section II(h) of the General Conditions provided that "Any sub-adviser (the Sub-Adviser) that acts for the Trust to exercise investment discretion over a Portfolio will

be independent of Salomon Smith Barney and its affiliates.” The Joint Venture Transaction

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

8. Under the Joint Venture Agreement, each of Citigroup and Morgan Stanley (including their respective subsidiaries) agreed to contribute specified businesses into the Joint Venture, together with all contracts, employees, property licenses and other assets (as well as liabilities) used primarily in the contributed businesses. Generally, in the case of Citigroup, the contributed businesses included Citigroup's retail brokerage and futures business operated under the name “Smith Barney” in the United States and Australia and operated under the name “Quilter” in the United Kingdom, Ireland and component Islands. Certain investment advisory and other businesses of Citigroup were also contributed, including Citigroup's Consulting Group and the sponsorship of the TRAK Program. In the case of Morgan Stanley, the contributed businesses consisted generally of Morgan Stanley's global wealth management (retail brokerage) and private wealth management businesses. According to the Applicants, no valuations for the contributed businesses were agreed upon between the parties. It was agreed, however, that the value of the Smith Barney business plus \$2.75 billion would equal an ownership percentage of 49% of the Joint Venture entity, Morgan Stanley Smith Barney Holdings LLC (Holdings), a Delaware limited liability company (together with its subsidiaries, MSSB). The closing date of the Joint Venture Transaction occurred on May 31, 2009 (the Closing). Prior to the Closing, Morgan Stanley had formed Holdings, the sole member of Morgan Stanley Smith Barney LLC, which conducts most of the Joint Venture's domestic operations as a dual-registered broker-dealer and investment adviser. Holdings presently generates about \$14 billion in net revenues. It has 18,500 financial advisers, 1,000 locations worldwide and services about 6.8 million households. Immediately following the Closing, Morgan Stanley owned indirectly through subsidiaries 51% of Holdings, and Citigroup owned 49% of Holdings, through CGMI. Morgan Stanley has call rights to purchase from Citigroup (a) an additional 14% of Holdings after the third anniversary of Closing, (b) an additional 15% of Holdings after the fourth anniversary and (c) the balance of Citigroup's interest in Holdings after the fifth anniversary.⁹

9. The Joint Venture Agreement was amended and restated on May 29, 2009 (the Amended Contribution Agreement). Under the Amended Contribution Agreement, Citigroup transferred

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

Current Status of Operations

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

11. Also, since the Closing, CGMI has continued to offer the TRAK Program to its retained clients. As of August 31, 2009, the TRAK Program had assets in excess of \$6.13 billion, over

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

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

11 CGMI clears and settles securities transactions, provides trade confirmations and customer statements and performs certain cashiering functions, custody services and other related services for these accounts \$3.74 billion of which is held in Plan accounts. At present, the investments under the TRAK Program

encompass the Trust, which consists of eleven Portfolios, as well as the Stable Value Investments Fund, a collective trust fund established and maintained by First State. The Trust and the Stable Value Investment Fund are advised by one or more unaffiliated Sub-Advisers selected by MSSB and First State, respectively. In addition to the TRAK Program, CGMI offers other investment advisory programs to its retained clients under an advisory services agreement between Citigroup and Holdings dated as of the Closing. Under the agreement, Holdings provides a wide range of investment advisory services to Citigroup advisory programs pursuant to a delegation by Citigroup to Holdings of certain of Citigroup's obligations to provide such services. Citigroup retained clients were provided notice of this arrangement.

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

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

14. Section II(j) of PTE 2009-12 has been modified to reflect the fact that CGMI has been removed from the reallocation formula because it no longer manages and supervises the Trust and the Portfolios. Prior to the Closing, Citigroup Investment Advisory Services LLC (CIAS), an affiliate of CGMI, managed and supervised the Trust and Portfolios. In connection with the Joint Venture Transactions, CIAS was contributed to MSSB and as an affiliate of MSSB, it manages and supervises the Trust and the Portfolios. Thus, the modifications to the language in Section II(j) seek to clarify the parties to the covered transactions, but do not change the formula for the calculation of the quarterly investment advisory fee that is paid by the Plan to the Adviser. Furthermore, Section II(j) has been amended to correct the names of the Portfolios that are excluded from the calculation of the quarterly investment advisory fee, namely by substituting the term "Money Markets Investment Portfolio" for "Government Money Investments Portfolio," and the term "Stable Value Investments Portfolio" for "GIC Fund."

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

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

Summary

17. In summary, the Applicant represents that the transactions described herein have satisfied or will satisfy the statutory criteria for an exemption set forth in section 408(a) of the Act because:

- (a) The participation of Plans in the TRAK Program has been approved or will be approved by an Independent Plan Fiduciary;
- (b) The total fees paid to the Adviser and its affiliates has constituted or will constitute no more than reasonable compensation;
- (c) No Plan has paid or will pay a fee or commission by reason of the acquisition or redemption of shares in the Trust;
- (d) The terms of each purchase or redemption of Trust shares have remained or will remain at least as favorable to an investing Plan as those obtainable in an arm's length transaction with an unrelated party;
- (e) The Adviser has provided or will provide written documentation to an Independent Plan Fiduciary of its recommendations or evaluations based upon objective criteria, and such recommendation or evaluation has been implemented or will be implemented only at the express direction of such Independent Plan Fiduciary.

(f) The Adviser has given or will give investment advice in writing to an Independent Plan Fiduciary with respect to all available Portfolios (with respect to participant directed plans, such advice is limited to the Portfolios made available under the Plan);

(g) Any Sub-Adviser that acts for the Trust to exercise investment discretion over a Portfolio has been independent or will be independent of Morgan Stanley, CGMI, MSSB and their respective affiliates;

(h) Immediately following the acquisition by a Portfolio of Adviser Common Stock, the percentage of that Portfolio's net assets invested in such securities generally has not exceeded or will not exceed one percent;

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

(j) With respect to its participation in the TRAK Program, prior to purchasing Trust shares, each Plan has received or will receive written or oral disclosures and offering materials from the Adviser which generally disclose all material facts concerning the purpose, structure, operation, and investment in the TRAK Program, and describe

the Adviser's recommendations or evaluations, including the reasons and objective criteria forming the basis for such recommendations or evaluations;

(k) Subsequent to its participation in the TRAK Program, each Plan has received or will receive periodic written disclosures from the Adviser with respect to the financial condition of the TRAK Program, the total fees that it and its affiliates will receive from such Plans and the value of the Plan's interest in the TRAK Program, and on a quarterly and annual basis, written disclosures to all Plans of (a) the percentage of each Portfolio's brokerage commissions that are paid to the Affiliated Entities and (b) the average brokerage commission per share paid by each Portfolio to the Affiliated Entities, as compared to the average brokerage commission per share paid by the Trust to brokers other than the Affiliated Entities, both expressed as cents per share; and

(l) The Adviser has complied with, and will continue to comply with, the recordkeeping requirements provided in Section II(m) of the proposed exemption, for so long as such records are required to be maintained.

Notice to Interested Persons

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

request a hearing with respect to the pending exemption. Written comments and hearing requests are due within 75 days of the publication of the proposed exemption in the Federal Register.

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

General Information

The attention of interested persons is directed to the following:

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

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

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

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

Signed at Washington, DC, this 7th day of June, 2010.

Ivan Strasfeld,

Director of Exemption Determinations, Employee Benefits Security

Administration, U.S. Department of Labor.

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DEPARTMENT OF LABOR

Employee Benefits Security Administration

Prohibited Transaction Exemptions From Certain Prohibited Transaction Restrictions

AGENCY: Employee Benefits Security Administration, Labor.

ACTION: Grant of Individual Exemptions.

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

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

The notice of proposed exemption was issued and the exemption is being granted solely by the Department because, effective December 31, 1978, section 102 of Reorganization Plan No. 4 of 1978, 5 U.S.C. App. 1 (1996), transferred the authority of the Secretary of the Treasury to issue exemptions of the type proposed to the Secretary of Labor. Citigroup Global Markets, Inc. and Its Affiliates (together, CGMI or the Applicant), Located in New York, New York

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

Section I. Covered Transactions

A. The restrictions of section 406(a) of the Act and the sanctions resulting from the application of section 4975 of the Code, by reason of section 4975(c)(1)(A) through (D) of the Code, shall not apply, effective May 31, 2009, to the purchase or redemption of shares by an employee benefit plan, an

individual retirement account (an IRA), a retirement plan for self-employed individuals (a Keogh Plan), or an individual account pension plan that is subject to the provisions of Title I of the Act and established under section 403(b) of the Code (the Section 403(b) Plan) (collectively, the Plans) in the Trust for Consulting Group Capital Markets Funds (the Trust), sponsored by MSSB in connection with such Plans' participation in the TRAK Personalized Investment Advisory Service (the TRAK Program).

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

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

Section II. General Conditions

The participation of Plans in the TRAK Program is approved by an Independent Plan Fiduciary. For purposes of this requirement, an employee, officer or director of the Adviser and/or its affiliates covered by an IRA not subject to

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

Title I of the Act will be considered an Independent Plan Fiduciary with respect to such IRA.

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

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

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

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

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

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

chosen. Such Election continues in effect until revoked or terminated by the Independent Plan Fiduciary in writing.

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

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

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

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

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

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

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

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

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

(ii) A publisher of financial news information; or

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

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

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

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

(k) With respect to its participation in the TRAK Program prior to purchasing Trust share (1) Each Plan receives the following written or oral disclosures from the Adviser:

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

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

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

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

(E) the Sub-Advisers.

(F) In the case of a Section 404(c) Plan, if required by the arrangement negotiated between the Adviser and the Plan, an explanation by an Adviser representative (the Financial

Advisor) to eligible participants in such Plan, of the services offered under the TRAK Program and the operation and objectives of the Portfolios.

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

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

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

(3) With respect to a Plan that is covered under Title I of the Act, where investment decisions are made by a trustee,

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

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

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

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

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

(4) If required by the arrangement negotiated between the Adviser and a Section 404(c) Plan, a quarterly, detailed investment performance monitoring report, in writing, provided to an Independent Plan Fiduciary of such Plan showing Plan level asset allocations, Plan cash flow analysis and annualized risk adjusted rates of return for Plan

investments. In addition, if required by such arrangement, Financial Advisors meet periodically with Independent Plan Fiduciaries of Section 404(c) Plans to discuss the report as well as with eligible participants to review their accounts' performance.

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

(6) On a quarterly and annual basis, written disclosures to all Plans of (a) the percentage of each Portfolio's brokerage commissions that are paid to the Affiliated Entities and (b) the average brokerage commission per share paid by each Portfolio to the Affiliated Entities, as compared to the average brokerage commission per share paid by the Trust to brokers other than the Affiliated Entities, both expressed as cents per share.

(m) The Adviser maintains or causes to be maintained, for a period of (6) six years, the records necessary to enable the persons described in paragraph (m)(1) of this section to determine whether the applicable conditions of this exemption have been met. Such records are readily available to assure accessibility by the persons identified in paragraph (1) of this section.

(1) Notwithstanding any provisions of section 504(a)(2) and (b) of the Act, the records referred to in the first paragraph of this section are unconditionally available at their customary location for examination during normal business hours by-- (i) Any duly authorized employee or representative of the Department or the Internal Revenue Service;

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

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

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

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

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

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

Section III. Definitions

For purposes of this exemption:

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

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

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

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

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

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

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

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

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

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

(2) A participant in a Keogh Plan;

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

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

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

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

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

Section IV. Effective date

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

Written Comments

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

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

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

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

Accordingly, the Applicant requests that parenthetical "(b)" be deleted and the sentence fragments reproduced above be combined into a single paragraph following the parenthetical

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

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

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

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

Signed at Washington, DC, this 13th day of December 2010.

Ivan Strasfeld,
Director of Exemption Determinations, Employee Benefits
Security
Administration, U.S. Department of Labor.
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