

"THIS PAGE MUST PRECEDE THE ATTACHED PROPRIETARY DISCRETIONARY MARKETING MATERIAL AND BE PROVIDED TO ALL CLIENTS AND PROSPECTS"

Recently, the Global Wealth Management Group of Morgan Stanley & Co. Incorporated and the Smith Barney division of Citigroup Global Markets Inc. combined into Morgan Stanley Smith Barney LLC, a new investment advisor and broker-dealer registered with the Securities and Exchange Commission.

Investment products and services are offered to you through Morgan Stanley Smith Barney LLC, member SIPC, and your account is carried by Citigroup Global Markets Inc., member SIPC. In general, references to Smith Barney or the Smith Barney division of Citigroup Global Markets Inc. should be read as Morgan Stanley Smith Barney LLC. However, some services will still be available to you through Citi or Citigroup Global Markets Inc. Please contact your Financial Advisor if you have any questions about these changes.

Super-Simplified 401(k) Plan

A SPECIAL SAVINGS OPPORTUNITY FOR ONE-PERSON BUSINESSES

IF YOU ARE A SOLE PROPRIETOR OR SOLO BUSINESS OWNER LOOKING TO BUILD YOUR RETIREMENT, you may not realize that there is a 401(k) program designed just for men and women like you. You may work full time for your own corporation, or perhaps you are a consultant or independent contractor earning self-employment income that is reported to the Internal Revenue Service on IRS Form 1099. In these and similar work situations, you are in charge of your own retirement planning. The Super-Simplified 401(k) plan may be the way for you to gain the benefits enjoyed by millions of rank-and-file employees, but designed specifically to fit the needs of an individual entrepreneur without employees.



The Super-Simplified 401(k) Plan is also appropriate for businesses that are run solely by multiple owners and their spouses. Corporations, LLCs, partnerships, sole proprietors and nonprofit entities may adopt the plan. If you do hire one or more common law employees in the future, you may, at your option, continue the Super-Simplified 401(k), or consider alternative retirement program designs that may be better suited to your expanding business' needs. If you opt to retain the Super-Simplified 401(k) plan, it would be advisable to retain a professional 401(k) plan administrator to handle the additional oversight that is mandated by government regulation whenever employees are covered by a qualified retirement plan. Smith Barney does not provide plan administration or employee recordkeeping functions.

WHO YOU ARE

- Sole Practitioner Professional: doctor, dentist, attorney, CPA, architect, nurse-practitioner
- Real estate broker
- Interior designer
- Manufacturer's representative
- Consultant: computer or software consultant, marketing or management consultant
- Small retail owner
- Freelance writer
- Building trades: electrician, plumber
- Retiree starting a new business
- Other professionals and entrepreneurs who work by themselves

HOW THE SUPER-SIMPLIFIED 401(K) CAN BENEFIT YOU

- The potential to make larger contributions than other retirement plans.
- Total contributions for you in 2008 can be as high as \$46,000, or as high as \$51,000 if you are age 50 or over. These amounts equal or exceed potential contribution levels to other defined contribution plans.
- The flexibility to roll over virtually any type of retirement plan including a corporate 401(k) or IRA. A consolidated tax-deferred account eases administration, widens investment choices and opportunities, and may reduce costs.
- A loan feature that allows you to borrow one-half of your account balance, up to \$50,000. By way of comparison, loans are not permitted from IRAs, SEPs or SIMPLEs, other popular small business choices.



PLAN BENEFITS

All the benefits of a 401(k) plan are available to you when you adopt a Smith Barney Super-Simplified 401(k) Plan:

- All profit sharing 401(k) contributions are fully deductible on your corporate income tax return, or for self-employed individuals, both 401(k) profit-sharing contributions and after-tax salary deferrals are fully deductible on your personal income tax return.
- All interest, dividends and earnings grow tax-deferred.
- A wide range of investment options may be held in your Smith Barney Super-Simplified 401(k) brokerage account. Popular choices include stocks, bonds, mutual funds, unit investment trusts and certificates of deposit. But there are other investment choices available that you can discuss with your Smith Barney Financial Advisor.
- Make two types of discretionary contributions.
 - You decide each year what percentage of your salary or net profit you wish to add to your Super-Simplified 401(k) in the form of a profit sharing contribution. This contribution can be as much as 25% of your first \$230,000 of compensation (or 20% of your adjusted net business profits).
 - On top of this profit-sharing contribution, you may add salary deferral amounts. For 2008, you may defer an additional \$15,500. And, if you are age 50 or over, another \$5,000 catch-up contribution for a total deferral of \$20,500.
- You decide which of two ways to contribute salary deferral amounts. You elect whether you want your salary deferral amounts to be considered before-tax or after-tax contributions. You can even have some of both.
 - Before-tax deferrals reduce your current income and therefore reduce your current personal income tax liability. Distributions will be taxable when withdrawn.
 - After-tax deferrals (also known as Roth 401(k) contributions) do not reduce your current income, but withdrawals of principal and accumulated earnings may be tax-free.

- Reduced administrative and reporting obligations. Maintaining a retirement plan does require your ongoing attention. The good news is that a Super Simplified 401(k) Plan with no employees requires less of it. There are no required governmental reports until your plan's total assets are \$250,000 or more. Then you will be able to file the streamlined Form 5500-EZ. You will want to have your accountant, tax advisor or other qualified plan administrator on your team handle this for you.

DISTRIBUTIONS

Distributions from a Super-Simplified 401(k) are limited to specific events including retirement or plan termination. Special rules apply for distributions due to death, disability, a series of substantially equal periodic payments, and separation from service at age 55 or later. Distributions from a 401(k) are taxed as ordinary income, except any Roth 401(k) contributions, which are distributed tax-free if the initial contribution was made at least five years prior to the withdrawal, and you are age 59½ or older. Distributions that do not meet the definition for a qualified distribution, or exception, will be assessed a 10% penalty tax.

INVESTMENT CHOICES IN THE SMITH BARNEY SUPER-SIMPLIFIED 401(K)

When you adopt a Smith Barney Super-Simplified 401(k) Plan you will have a plan that is as simple as you want, with investment choices that are as sophisticated as you need. An extensive menu of investment choices helps ensure that you can build a well-balanced portfolio suited to your individual risk tolerance and investment preference.

If you are interested in mutual fund investments*, the Smith Barney AutoVest system will make it easy and automatic for you to invest your contributions as they are deposited into your account. You choose up to 5 mutual funds* from a roster of hundreds of funds offered by dozens of investment management companies.

***Mutual funds fluctuate in value and are subject to market risks and possible loss of investment. Investors should consider the Fund's investment objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other information about the Fund. To obtain a free prospectus, please call your financial professional. Please read the prospectus carefully before investing.**

ROTH 401(K) – SUPER-SIMPLIFIED AND BETTER

- The Smith Barney Super-Simplified 401(k) Prototype Plan now goes one better by giving you the additional flexibility to include after-tax elective deferrals. This year up to \$15,500 or \$20,500 if you are age 50 or older may be earmarked as Roth 401(k) contributions. This means that subsequent distributions after you retire are not just tax-deferred; they are tax-free.
- Because it's part of a 401(k) plan, the Roth 401(k) has some features that distinguish it from the more widely known Roth IRA:
 - High earners can contribute to a Roth 401(k)—unlike the Roth IRA where contributions are limited to those with income under certain thresholds.
 - Everyone can contribute more to a Roth 401(k) than to a Roth IRA. Contributions are as much as \$15,500 or \$20,500 if you are age 50 or older as compared to \$5,000 or \$6,000 to a Roth IRA.
 - Contributing to a Roth 401(k) does not prevent you from also contributing to a Roth IRA—raising your annual potential Roth contributions.

HOW THE SUPER-SIMPLIFIED 401(K) CAN WORK FOR YOUR BUSINESS

Here's an example of how the Super-Simplified 401(k) can help you build your retirement whether you are self-employed or incorporated. The calculations are a little different for each case.

	INCORPORATED BUSINESS		UNINCORPORATED BUSINESS		YOUR NUMBERS
STEP ONE:					
Incorporated: Profit Sharing Contribution (Maximum 25% of \$230,000 W-2 wages)	.25 x \$100,000	\$25,000			
Unincorporated: Net Earnings less one-half self-employment tax			.20 x (\$100,000-\$7,065)	\$18,587	
STEP TWO:					
Incorporated or Unincorporated: Salary deferral		\$15,500		\$15,500	
Age 50+ catch-up option		\$5,000		\$5,000	
TOTAL CALCULATED CONTRIBUTIONS	Under age 50	\$40,500		\$34,087	
	Age 50 & older	\$45,500		\$39,087	
Percentage of Compensation		40% – 45%		34% – 39%	

LET SMITH BARNEY WORK WITH YOU

Your Smith Barney Financial Advisor can discuss the particulars of a Super-Simplified 401(k) retirement plan with you and help you determine if it is the right plan for you and your business. A good place to start your discussion may be clarifying for yourself and your Financial Advisor what your financial and retirement goals are right now. A Retirement Planning analysis will help you visualize the investment steps that can help make your dreams a reality, and will give you concrete information that you may apply as you establish your business's retirement plan.

Smith Barney offers the solo business owner an IRS-approved Super-Simplified 401(k) Prototype Plan document that makes it easy and inexpensive to adopt and maintain an up-to-date retirement plan. Complete the application with your tax or legal advisor's guidance, return to Smith Barney, and an account will be opened for your plan. The annual cost to use the Smith Barney Super-Simplified prototype document is \$100.

The deadline to establish a Super-Simplified 401(k) is the last day of your fiscal year or December 31 for calendar-year businesses. Salary deferrals, however, may only be made for amounts earned after the date you adopt the plan, so it is to your advantage to establish your Super-Simplified 401(k) as early in the year as possible. Employer profit-sharing contributions may be made up until your tax-filing deadline, excluding extensions.

MAXIMUM CONTRIBUTIONS (2008) TO THE MOST POPULAR RETIREMENT PLANS

How does a Super Simplified 401(k) stack up against other types of retirement plans? As the charts below illustrate, many business owners can potentially contribute more to a 401(k) plan as compared to other popular retirement plan alternatives. What's more, if the business owner is age 50 or older, only the 401(k) will allow an additional \$6,000 catch-up salary deferral contribution, resulting in a potential contribution of \$51,000 for 2008.

INCORPORATED BUSINESS OWNER

Other Plan Choices				The Super-Simplified 401(k) Plan			
W-2 Compensation	SEP-IRA	SIMPLE IRA	SIMPLE IRA with Catch-Up	Profit Sharing	Salary Deferral	Total Combined Super-Simplified Contribution	Total Combined Super-Simplified Contribution Plus Catch-Up
\$25,000	\$6,250	\$11,250	\$13,750	\$6,250	\$15,500	\$21,750	\$25,000
50,000	12,500	12,000	14,500	12,500	15,500	28,000	33,000
75,000	18,750	12,750	15,250	18,750	15,500	34,250	39,250
100,000	25,000	13,500	16,000	25,000	15,500	40,500	45,500
125,000	31,250	14,250	16,750	31,250	15,500	46,000	51,000
150,000	37,500	15,000	17,500	37,500	15,500	46,000	51,000
175,000	43,750	15,750	18,250	43,750	15,500	46,000	51,000
200,000	46,000	16,500	19,000	46,000	15,500	46,000	51,000
230,000	46,000	17,400	19,900	46,000	15,500	46,000	51,000

UNINCORPORATED BUSINESS OWNER

Net Profit*							
\$25,000	\$4,647	\$11,177	\$13,677	\$4,647	\$15,500	\$19,367	\$23,234
50,000	9,294	11,853	14,353	9,294	15,500	24,794	29,794
75,000	13,940	12,530	15,030	13,940	15,500	29,440	34,440
100,000	18,587	13,207	15,707	18,587	15,500	34,087	39,087
125,000	23,400	13,908	16,408	23,400	15,500	38,900	43,900
150,000	28,333	14,626	17,126	28,333	15,500	43,833	48,833
175,000	33,267	15,345	17,845	33,267	15,500	46,000	51,000
200,000	38,200	16,063	18,563	38,200	15,500	46,000	51,000
230,000	44,119	16,925	19,425	44,119	15,500	46,000	51,000

*Net profit is reduced by one-half of the self-employment tax before maximum contribution amount is calculated. These examples are for illustrative purposes only. Source: Smith Barney.

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