



Mutual Fund Share Classes and CGMI Compensation

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As a mutual fund investor, you have many funds to choose from when it comes to investing your money. Each of these choices involves certain costs. Once you choose a fund, you also need to choose among the fund's different classes, each of which involves a different cost structure. So it's important to understand how mutual fund fees and expenses, and your choice of share class, affect your investment and return. Of course, you also need to consider the fund's investment objectives and policies, and its risks.

With that in mind, we've summarized below some important information about mutual fund share classes and the types of fees and expenses you may be required to pay depending upon the share class you select. We also explain how CGMI and your Financial Advisor are compensated when you invest in mutual funds.

The following information pertains to mutual fund sales transacted through traditional commission-based private client accounts at CGMI. For information on fees and expenses in CGMI's fee-based account programs (including TRAK, TRAK NAV, Integrated Investment Services, Portfolio Management Group, and Select programs), please refer to program documents. You should consider all the available methods for purchasing and holding mutual fund shares discussed in this booklet and in your program documents.

Note: Before buying any mutual fund, request a prospectus from your Financial Advisor and read it carefully. The prospectus contains important information on fees, charges and investment objectives which should be considered carefully before investing.

Each Mutual Fund Is Different

First and foremost, before investing in a mutual fund, you should read the fund's prospectus carefully. You should request a copy of the fund's Statement of Additional Information ("SAI"), if needed, for additional details.

Investment features, as well as expenses, vary from fund to fund. A fund's prospectus describes, among other things, the fund's investment philosophy, risks, share classes and expenses. The prospectus and SAI also describe how sales charges and expenses vary by share class, and how investors can qualify for sales-charge reductions based upon the amount of their investments or other circumstances. Of course, in choosing a mutual fund investment, you should consider the fund's investment objectives and policies, and its risks—not

just the costs and expenses of investing in a particular fund and share class. Determine if they match your own goals. Your Financial Advisor can provide assistance if you have questions.

Fund-Transfer Restrictions

You should also be aware that certain mutual funds may not be transferable to other broker-dealers. A common factor limiting transferability is when a fund or its primary underwriter does not have a selling or other agreement in place with the receiving firm. If a particular fund family's funds are not transferable to a given firm, you may have the following options: leave the position in a CGMI account; or have the position registered in your name on the books and records of the fund company or its

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transfer agent. As an alternative, you would also be able to liquidate the position and transfer the proceeds (this option may involve tax consequences or other costs). For further information regarding the transferability of a particular fund's shares, please refer to the fund's Prospectus and Statement of Additional Information, or call your Financial Advisor.

The Basics of Mutual Fund Share Classes

A single mutual fund usually offers more than one "class" of its shares to investors. The most common mutual fund share classes—A, B and C—are described below. Each share class represents investments in the same mutual fund portfolio. The key distinctions among share classes are the sales charges and ongoing fees and expenses you pay in connection with your investment in the fund. The compensation received by your Financial Advisor for selling you shares of the fund also will be directly affected by the share class you purchase.

When deciding which fund and which share class within a fund makes the most economic sense for you, you should ask your Financial Advisor about the effect of a number of factors on your costs, including:

- How long you plan to hold the fund;
- The size of your investment;
- Whether you will be adding to the investment in the future;
- The expenses you'll pay for each class;
- Whether the amount of your initial or intended investment, together with other eligible fund investments, qualifies you for any sales-charge discounts (that is, whether you should execute a Letter of Intent, whether you are entitled to a Right of Accumulation, or whether you are entitled to a breakpoint discount); and
- Whether you will be selling other mutual fund shares to fund your investment (that is, whether you might qualify for a load-waived transfer or repurchase).

12b-1 Fees and Other Fees

12b-1 fees are named after a Securities and Exchange Commission rule. They are fees paid out of the assets of your mutual fund share class on a continuing basis to cover marketing and distribution costs and sometimes to cover costs of providing shareholder services. The amount of the 12b-1 fee is set as a percentage of the fund's total assets attributable to the share class. A fund also deducts certain other ongoing fees from its assets to pay firms that provide various services to the fund,

such as the fund's investment advisor, transfer agent, custodian and administrator. 12b-1 fees, management fees and other ongoing expenses are described in the mutual fund's prospectus Fee Table. These fees will vary from fund to fund and for different share classes of the same fund.

Class A Shares

Purchasers of Class A shares are typically charged a front-end sales charge or commission (sales charges on mutual funds are also referred to as "loads") that is included in the price of the fund shares. When you buy shares with a front-end sales charge, a portion of the money you send to the fund for investment actually is used to pay the sales charge. Class A share 12b-1 fees typically are lower than those of Class B or C shares. Funds may offer purchasers of Class A shares volume discounts—also called breakpoint discounts—on the front-end sales charge if the investor:

- Makes a large purchase;
- Holds other mutual funds offered by the same fund family;
- Commits to purchase additional shares of the fund; or
- Has family members (or others with whom they may link purchases according to the prospectus) who hold funds in the same fund family.

Breakpoints, and requirements for receiving a breakpoint discount, are discussed further below.

How Breakpoints Work

When you purchase Class A shares in excess of a "breakpoint," you are entitled to pay a reduced front-end sales charge. For example, suppose the prospectus says that a breakpoint occurs when you purchase \$50,000 or more of Class A shares. If you buy less than \$50,000 worth of shares, the sales charge is 5.75%. If you buy more than \$50,000 worth of shares, the sales charge is 4.50%. Now, suppose you buy \$49,500 worth of Class A shares. You would pay \$2,846 in sales charges. If you buy \$50,000 worth of shares, you would pay only \$2,250. In this example, by choosing to invest an additional \$500 you would actually pay \$596.25 less in the front-end sales charge, and those savings would increase your investment in the fund.

Mutual funds typically offer multiple breakpoints at different investment levels. Increasing your investment size, if you are able and willing to do so, can allow you to take advantage of multiple breakpoints and further reduce the sales charges you pay. It is important that you

understand how breakpoints work so that, consistent with your investment objectives, you can take advantage of the lowest possible front-end sales charge.

Below is a typical breakpoint discount schedule showing the front-end sales load applicable to a purchase of Class A shares at different levels of investment. Different funds and fund families may have different breakpoint schedules.

Sample Breakpoint Schedule

Class A Shares (Front-End Sales Load)	
Investment Amount	Sales Load
Less than \$25,000	5.0%
\$25,000 or more but less than \$50,000	4.25%
\$50,000 or more but less than \$100,000	3.75%
\$100,000 or more but less than \$250,000	3.25%
\$250,000 or more but less than \$500,000	2.75%
\$500,000 or more but less than \$1 million	2.0%
\$1 million or more	0.0%

Rights of Accumulation and Letters of Intent

What if you cannot immediately invest the amount necessary to achieve a breakpoint discount? You still might be able to qualify for a breakpoint discount based on two different opportunities—called “rights of accumulation” and “letters of intent.”

Rights of Accumulation

A right of accumulation (“ROA”) permits you to accumulate or combine your existing Class A holdings with other Class A holdings for the purpose of qualifying for breakpoints and associated discounts. Many fund families allow you to aggregate other share classes or other investments. For example, if you are investing \$10,000 in Class A shares of a fund today, and you already own \$40,000 in Class A shares of that fund family, the fund may allow you to combine those investments to reach a \$50,000 breakpoint, entitling you to a lower sales load on your \$10,000 purchase today.

Letters of Intent

A letter of intent (“LOI”) is a document you sign today that expresses your intention to invest an amount equal to or greater than a breakpoint within a given period of time. Many fund companies permit you to include purchases completed within 90 days before the LOI is signed and within 13 months after the LOI is signed for the purpose of obtaining a breakpoint discount. If you

expect to make additional investments during the next 13 months in a fund with a front-end sales load, it’s worth finding out if an LOI can help you qualify for a breakpoint discount to reduce your front-end sales charge.

Important Note: If you do not invest the amount stated in your LOI, the fund can retroactively collect the higher sales charge.

Family and Related Account Discounts

With respect to ROAs or LOIs, for the purpose of achieving a breakpoint discount you usually may aggregate accounts that you and your family own. For example, a fund may allow you to reach a breakpoint discount by combining your fund purchases with those of your spouse or minor children. You also may be able to aggregate mutual fund transactions in certain retirement accounts, educational savings accounts or accounts at other brokerage firms. In some instances employer-sponsored retirement or savingsplan accounts may be aggregated. These features vary among fund families.

Class B Shares

Investments in Class B shares typically are not subject to a front-end sales charge, but purchasers normally are required to pay a contingent deferred sales charge (“CDSC”) on shares sold during a specified time period (typically six years). In addition, Class B shares are subject to higher 12b-1 fees, which result in higher ongoing expenses than Class A shares. For this reason, even though they carry no front-end load, Class B shares are not, and should not be viewed as, “no-load” shares. The CDSC associated with an investment in Class B shares declines over time, and in most funds is eventually avoided entirely following the expiration of a designated holding period. Upon the expiration of that holding period, or shortly thereafter, Class B shares typically “convert” into Class A shares, at which point the investment will begin to be charged the Class A shares’ lower 12b-1 fees.

It is important to bear in mind that the CDSCs and higher annual fees (in part attributable to higher 12b-1 fees) charged on Class B shares can cost you more than the Class A front-end sales charges, especially on purchases that are eligible for breakpoint discounts. This can make Class B shares more expensive to you and economically inferior to Class A shares depending upon the fund, the amount invested in the fund, and the holding period. If you are considering investing in Class B shares, you should discuss with your Financial Advisor whether an investment in Class A shares might be preferable for you, considering the availability of breakpoint discounts on the front-end sales charge and the generally lower

12b-1 fees of Class A shares. Some fund companies and brokerage firms (including CGMI) limit the amount of Class B shares you can purchase in a fund.

Class C Shares

Investments in Class C shares usually are subject to a smaller front-end sales charge than Class A shares, or no front-end sales charge at all. However, purchasers of Class C shares are typically required to pay a CDSC if the shares are sold within a short time of purchase, usually one year. The 12b-1 fees associated with Class C shares are typically higher than those of Class A shares, and these fees continue indefinitely, because in most cases the Class C shares do not convert into Class A shares as Class B shares typically do. It's important to refer to the Fund's prospectus for complete information.

In most cases, owning Class C shares will be more expensive than owning Class A shares or Class B shares over longer holding periods. Remember that higher expenses will mean reduced investment performance. Class C shares are often purchased by investors who have a shorter-term investment horizon, because during those first years they will be cheaper to buy and sell than Class A or Class B shares.

Single Share Class Funds

Unlike many other mutual fund families, certain fund families such as the Legg Mason and Royce fund families offer only one share class for investors through traditional commission-based private client accounts. These single share class funds are generally similar to the Class C shares offered by other fund families. Typically, the 12b-1 fees associated with these shares are higher than those of Class A shares and they continue indefinitely. In addition, these single share class funds do not generally offer sales-charge discounts ("breakpoints") on large individual or cumulative purchases. Because these discounts can be significant, especially at investment levels of \$500,000 or more, investors should consider all factors when making such an investment, including the impact that the share class fees can have on performance and the fact that other fund families offer breakpoints. Speak with your Financial Advisor for more information.

Sales Charge Waivers on Fund Transfers and Repurchases

Many funds allow investors who have redeemed shares from a fund within the same family to either purchase Class A shares without a sales load, or purchase Class B shares and recoup any CDSC paid on the redeemed

shares, while resetting the redemption fee clock (or CDSC period) to the period applicable to the original Class B share purchase. For example, if an investor redeemed Class B shares after their CDSC period had run, then that investor could, within a specified time period (ranging from 60 days to up to one year), purchase shares in the same fund family in an amount up to the dollar value of the redeemed shares without the new shares being subject to a CDSC. The new shares would also convert to Class A shares according to the original schedule applicable to the redeemed shares (less any time lapse between redemption and repurchase).

In addition, some fund families allow investors that have redeemed shares of another fund family to purchase Class A shares of a fund within the new fund family without any sales load. These kinds of load-waiver programs typically require that the shares of the original fund family were sold within a specified period of time before the new purchase, and that the shares sold were charged, or were subject to, a front-end or back-end sales charge.

Since each fund or fund family sets its own conditions for these load-waiver programs, you should refer to the fund prospectus and also consult your Financial Advisor for specific program conditions.

Multiple Fund Families

Sometimes investors may choose to invest in multiple fund families. These investors perceive benefits that may include diversification, the ability to select those funds that they believe will have the best opportunity for outperforming other funds in specific fund categories, or the ability to invest in unique funds that may not be available in a single fund family. However, it is important to bear in mind this investment strategy reduces the opportunities to qualify for breakpoint discounts and can, as a result, increase the cost of investing in the funds selected. Also, there is no guarantee that a multifamily investment strategy will provide significant diversification or outperform a single-family strategy.

Understand the Facts About Your Fee Structure

When it comes to front-end sales charges, breakpoint discounts, CDSCs (including whether, and how fast, they decline), 12b-1 fees and other share-class and pricing terms, each mutual fund follows its own policies, which are described in the fund's prospectus or SAI. Here are several steps that you can take to make sure you are choosing an appropriate share class and paying the lowest possible sales charge for your mutual fund investment.

Understand how breakpoints work. Read the mutual fund prospectus. Consult the fund's SAI, check the fund's Web site or ask your Financial Advisor for additional information about the sales charges and other costs of owning the fund's different share classes.

Review your mutual fund holdings. Before making a mutual fund purchase, review your account statements and those of your family to identify opportunities to achieve a breakpoint discount. Don't limit your review to accounts at a single brokerage firm. You may have related mutual fund holdings in multiple accounts at different brokerage firms, or with the mutual fund company itself, that can be aggregated for the purpose of achieving a breakpoint discount.

Keep Your Financial Advisor Informed

Be sure to tell your Financial Advisor about your mutual fund holdings and those of your family, including holdings at other brokerage firms or with the mutual fund company itself. Also, discuss any plans you may have for making any additional purchases in the future. Discuss your expected investment horizons with your Financial Advisor. With this information, your Financial Advisor can help you select a share class that minimizes the fees that you will pay over the life of your investment.

How CGMI and Your Financial Advisor Are Compensated for Mutual Fund Sales

Each time you purchase a mutual fund through your CGMI account, the fund family pays CGMI based upon the amount of your investment and the share class you have selected. CGMI, in turn, pays a portion of these payments to your Financial Advisor.

A fund's dealer-compensation practices are described in its prospectus and SAI. Typically, for front-end sales-charge share classes, the fund families pay CGMI most of the initial sales-charge you pay. For back-end sales-charge share classes (and for very large Class A share purchases that qualify for a complete waiver of their front-end sales-charge), the fund distribution company pays CGMI a selling fee at a rate set by the fund family. CGMI also receives shareholder-servicing payments (sometimes called trails) as long as you continue to hold the shares in your CGMI account. Your Financial Advisor receives a portion of each of these payments.

The portion of these payments that goes to your Financial Advisor is based upon CGMI standard compensation formulas. CGMI's Financial Advisor compensation formulas are the same regardless of which fund you purchase. However, some funds may impose higher sales charges than others, which can affect the amount

paid to your Financial Advisor. In addition, because funds' sales charges are different for their different share classes, the choice of share class can significantly affect the compensation your Financial Advisor receives.

Feel free to ask your Financial Advisor how he or she will be compensated for any mutual fund transaction.

CGMI's Relationship with Mutual Fund Families

CGMI offers clients a wide selection of mutual funds from many fund families. We review and evaluate each fund family whose mutual funds we offer based upon various factors, including but not limited to:

- number and variety of funds offered;
- length of track record and historical appeal to our clients and Financial Advisors;
- short- and long-term performance of the funds offered;
- size of assets under management;
- ability to support our Financial Advisors and clients through training, education and sales literature; and
- level of interest and demand among our clients and Financial Advisors.

Evaluating the fund families in this manner allows us to focus our marketing and sales support resources on the fund families of greatest interest to our clients and their Financial Advisors. Our Financial Advisors are not permitted to execute investments in funds that we have not reviewed and evaluated.

Revenue Sharing

From each fund family we offer, we seek to collect a mutual fund support fee, or what has come to be called a revenue-sharing payment. These revenue-sharing payments are in addition to the sales charges, annual distribution and service fees (referred to as "12b-1 fees"), applicable redemption fees and deferred sales charges and other fees and expenses disclosed in the fund's prospectus fee table. Revenue-sharing payments are paid out of the investment advisor's or other fund affiliate's revenues or profits and not from the fund's assets. However, fund affiliate revenues or profits may in part be derived from fees earned for services provided to and paid for by the fund. No portion of these revenue-sharing payments to CGMI is made by means of brokerage commissions generated by the fund.

It is also important to note that our Financial Advisors receive absolutely no additional compensation as a result of these revenue-sharing payments.

In 2009, we are charging fund families revenue-sharing fees up to a maximum per fund family of: (a) 0.09% per year (\$9 per \$10,000) on fixed income fund assets held by our clients, and

(b) 0.12% per year (\$12 per \$10,000) on equity, balanced and offshore fund assets held by our clients, subject to a minimum charge of \$50,000 per year per fund family, or \$25,000 per year for fund families that offer five or fewer funds at CGMI.

In addition, they will be subject to volume discounting (that is, as the number of assets increases, the basis point charge for those assets will decrease).

Fund families have access to our branch offices and Financial Advisors for educational, marketing and other promotional efforts. Although all fund families are provided with such access, some fund families devote more staff and resources to these activities and therefore may have enhanced opportunities to promote their funds to our Financial Advisors. This fact could, in turn, lead our Financial Advisors to focus on those funds when recommending mutual fund investments to our clients instead of on funds from those fund families that do not commit similar resources to educational, marketing and other promotional efforts. Fund families that do not remit revenue-sharing payments typically will not be provided access to our branch offices and will not participate in or receive other promotional support from CGMI.

It is important to note that our Financial Advisors receive absolutely no additional compensation as a result of any revenue-sharing payments received by CGMI. A list of revenue-sharing fund families organized by size of payment is available on our Web site at the address noted in the For More Information section below.

Expense Reimbursements and Administrative Service Fees

We receive expense reimbursements and fees for record-keeping and related services, which are more fully described below. These reimbursements and record-keeping fees may be viewed as a form of revenue sharing but are not included in the data provided above.

We may be reimbursed by funds or their affiliates or other service providers for the expenses we incur for various sales meetings, seminars and conferences held in the normal course of business. Although fund companies independently decide what they will spend on these

activities, we are aware that some fund companies allocate their promotional budgets based upon prior sales and asset levels and that they work with our branch offices or Financial Advisors to plan promotional and educational activities on the basis of such budgets. We do not control fund companies' determinations of how to allocate their promotional budgets or their spending decisions in this regard.

We receive compensation from funds or their affiliated service providers for providing certain record-keeping and related services to the funds. These charges typically are based upon the number or aggregate value of client positions and the levels of service provided. We trade with certain fund families on an omnibus basis, which means we consolidate our clients' trades into one daily trade in our name with the fund, and therefore we maintain all pertinent individual-shareholder information for the fund. Trading in this manner requires that we maintain the transaction history necessary to track and process sales charges, annual service fees and applicable redemption fees and deferred sales charges for each position, as well as other transaction details required for ongoing position-maintenance purposes. We charge those funds administrative service fees of up to \$21 per year per client position. Because omnibus trading offers economies for us and the funds that are greatest when daily trade volumes are high, we have sought to establish omnibus trading arrangements with the fund families that our clients trade the most.

You can obtain a listing of fund families with whom we trade on an omnibus basis at our Web site.

We trade all other fund families on a networked basis, which means we submit a separate trade for each individual client trade to the fund in our name, and therefore we maintain only certain elements of the fund's shareholder information. We charge these remaining funds a networking fee of up to \$6 per year per client position.

Compensation Citi Receives from Funds

CGMI and other Citi affiliates also receive from certain funds compensation in the form of commissions and other fees for providing traditional brokerage services, including related research and advisory support, and for purchases and sales of securities for fund portfolios. CGMI and other Citi affiliates also receive other compensation from certain funds for financial services

performed for the benefit of such funds. We prohibit linking the determination of the amount of brokerage commissions and service fees charged to a fund to the aggregate values of our overall fund-share sales, client holdings of the fund or to offset the revenue-sharing or expense-reimbursement and administrative fees described above. Moreover, such commissions or other service fees are not paid to or shared with our mutual fund business unit.

For More Information

For additional information on a particular fund's payment and compensation practices, please refer to the fund's Prospectus and Statement of Additional Information. Further information regarding revenue sharing, the fund fees and expenses borne by you and how CGMI and your Financial Advisor are compensated when you purchase and hold mutual fund shares is available at www.citi.com/investorinfo/finra or by calling your Financial Advisor.

Important Note:

Some of the information in this disclosure has been adapted in part from information available on FINRA's Web site and, in particular, FINRA's June 25, 2003 Investor Alert titled "Class B Mutual Fund Shares: Do They Make the Grade?"

We invite you to review this Alert at: <http://www.finra.org/InvestorInformation/InvestorAlerts/MutualFunds/ClassBMutualFundSharesDoTheyMaketheGrade> and to examine the wealth of information provided on FINRA's Web site (www.FINRA.org) and the SEC's Web site (www.SEC.gov). In particular, you can find calculators on both Web sites to assist in determining which share class in a fund family offers the least expensive fee structure.

FINRA's "Mutual Fund Expense Analyzer" is located at: http://apps.finra.org/investor_Information/ea/1/mfettf.aspx and the SEC's "Mutual Fund Cost Calculator" is located at <http://www.sec.gov/investor/tools/mfcc/mfcc-intsec.htm>

Mutual funds are sold by prospectus only. You should consider the investment objectives, risks, charges and expenses of the fund carefully before investing. Please consult your Financial Advisor for a copy of the product prospectus for this and other information. Please read the prospectus carefully before investing or sending money.

Investments in mutual funds are not FDIC insured or bank guaranteed and may lose value.

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