

Project Name: Citi North America
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EMILY: Good morning. My name is Emily and I will be your conference operator today. At this time, I would like to welcome everyone to the ASTA/MAT Falcon Update conference call. All lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question and answer session. If you would like to ask a question during this time, simply press star, then the number 1, on your telephone keypad. If you'd like to withdraw your question, press the pound key. Thank you. Miss Wilson-Perez, you may begin your conference.

SUE WILSON-PEREZ: Thank you, Operator, and good morning, everybody. Uh, what we wanted to do today is to go over ASTA/MAT 5 Falcon and to give you some new information. Uh, late last week, we had some revised terms that we want to share with you. The terms are more favorable, uh, and I – and – uh, for this call, you can actually look on the SB website, on the private bank website, because the numbers that we're going to go over are already posted.

So on the call with me today I have Jim O'Brien. I also have Don McCarty, Paul Weisenfeld, and Maureen O'Toole. What we want to do is go over exactly what the new terms are, go over their impact on net asset values for the funds, and then also go over a brief schedule for timing of tender documents, when you will receive information, when your clients will receive information. Then it – open it up for question and answer.

Um, I apologize; we did want to have client calls this week, and as it turned out it took us a while to update the NAVs; we wanted to give you the information first and then allow for enough time between when we send an invite out and when your clients reply. And as Friday is Passover, we wanted to postpone the client calls to either Monday or Tuesday of next week. So I

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heard that Mike Sharp was on the call, or any of the Citigroup people, but I – after the last call that we had, I’ve kind of gone round and round with this with other FAs in my office, and some FAs from around the country have called me.

MAN: [CLEARS THROAT]

JENNIFER KRAUSS: And here’s the issue, is – is we’re now down and no longer seeing the forest from the trees. You know, even I am now focused on, “Is it this sense or that sense?” The issue – and I know this has been vetted before, but I – I very much feel compelled that I have to do it one more time – the issue is that you all are putting us in a position of a huge conflict of interest, and this firm is making a decision to not follow the integrity and the moral code that I thought was coming into place after the Jack Grubman issue.

When Sally came into this firm, we were all told that we are going to be the stand-up firm for Wall Street. And this case, of what we’re doing right now, completely goes against anything that we said we were going to become. And the reason is not that we’re saving our clients or we’re doing them a favor. The problem in this specific case is our clients were told that they were getting one type of product and they got something else.

And I don’t want to go into the mismanagement or what happened, but there was no one watching the shop here. There was no one watching Reaz as he stood in front of a group of FAs and when he got on phone calls with clients and told clients that they could not lose their money unless the tax laws changed. And that’s what we’re dealing with. So even I sometimes get bogged down on these details of what you’re providing, and I really respect all the time that you all have put in trying to get clients’ money back that you can get back from this existing portfolio, but that’s not the issue here. The issue is the clients got duped, and we as FAs got duped on what we were getting.

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And what the firm is now doing is not standing up and saying, "Hey, we were wrong. We marketed this incorrectly, we marketed it to the wrong people and we told them the wrong things in these meetings." What we're doing is now putting the FAs in a huge conflict of interest, because where we're at now, after talking to some clients, after talking to other FAs, and after talking to attorneys, the situation, the reality is, that you want us to present this to our client, and our clients -- I'm sure other people on the call are like me -- are going to look to me and say, "Is it a good deal or not?"

And here's where I'm at. If I want to support the firm, which I've always been very loyal to and would want to do, if I wanted to support the firm, I would say, "This is why it's a good deal. Under these circumstances, under what's happened financially, it's a good deal." And that would be better for me and for the firm. However, if I tell the clients, "Look, you thought you were getting 100 cents on your dollar plus interest and now you're getting 40 - 37 cents, you may want to seek an attorney." When those clients go to the attorneys, the attorneys are going to tell them they have to take all their assets out of Smith Barney.

And so the conflict of interest is you're putting FAs, who are in a very strong position to convince their clients that this is a good investment deal, to not go to attorneys. And me, personally, I am not going down that road. I am not going to go down a road of being unethical or not have the integrity that I -- I've always had for this firm. And I think most FAs are going to feel the same way.

And -- and so I think this firm needs to go back to Citi's board, which I know you all have said you've tried to do, and I know it's -- you know, being told that Citi's not going to listen, but this is a defining moment in this firm's history. And this is a defining moment for FAs. And FAs who know that they need to tell their clients to do the right thing to get their money back are going

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to have to implode their own business to do so, or are going to have to leave the firm.

But in either event, I've only been here for 8 years. I know there's people on this call that have been on -- at the firm and have built their business over the last 20 to 40 years, and it is completely unfair that Citi is putting this in our laps, for us to make the decision of whether we want to implode our business or if we want to do something that is not right for our client.

And so, like I said, I -- I know this might not be the right call, and it might not be the right people, but I hope someone is listening to this and understands that we should not be in a position where we wake up and we see the headlines in all the papers that there's class-action suits, that FAs are leaving Smith Barney. We should take the position that Sally said we were going to take years ago and be a leader, and we should say, in the headlines, "Citi realizes they did wrong, and for once Wall Street is willing to admit it," before the lawsuits come. Citi should take the position --

JIM O'BRIEN: [OVERLAPPING] Look, I -- I think what you're -- I think what you're missing -- uh, I'd like to respond to part of it and let Mike Sharp, if he wants to jump in. I think what you're missing is I think the firm actually has done exactly what she said we -- the firm was going to do. I'm not aware -- look, I've read -- I -- I wasn't -- I wasn't here when -- when this stuff was being marketed, but I've read all the marketing material. I've seen the -- the subscription documents; I've seen the disclosure that's -- that -- that client and FAs and branch office managers have to sign on those subscription documents. And there's nothing in there that says this isn't a risky investment. And I'm not aware --

JENNIFER KRAUSS: [OVERLAPPING] But -- but that's the problem.
[UNINTEL] Who's talking, Paul?

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