

From: Mandaj, Anamika [GWM-SBPVTC] [5650981@imcnam.ssmb.com]  
Sent: Friday, April 11, 2008 3:28 PM  
To: Krawcheck, Sallie [GWM-MGMT]  
Cc: Curtis, Mark T [GWM-CIC]  
Subject: On Behalf of Mark Curtis

Dear Sallie,

At this point in regards to the Falcon/MAT issue(s) - I have a few observations, suggestions, and questions.

Observations:

The solution(s) as structured does not play well in a presentation to a client. We have presented to four clients - two swore at us and let us know that the next time we would hear from them it would be from their attorney. The other two merely said that they would be transferring out their accounts. One of them was a referral from Investment Banking (CEO- Corporate Client) with \$25 million under management. All four clients came from important spheres of influence that are my primary referral sources for new business.

We will not be defensible in arbitration. It is not what "we" the FA's "understood" about their transactions as Paul Hatch put it on the call, it was what was said that is the problem. It is what was told to us (FA's) and in some cases directly to the client by the Falcon/MAT portfolio manager that will be indefensible.

There have been many comments about having to balance various constituencies (e.g. shareholders) in order to construct the solution. As a shareholder (the most important constituent) I view our most important assets to be our clients, and our reputation. These solutions will critically damage both, perhaps beyond repair.

Suggestions:

All three FA calls were necessary, but there are very important questions that need to be addressed immediately.

Senior Management - quite frankly some combination of you and/or Vikram Pandit need to get on a call ASAP and address the thought process, analysis and perspective that went into these solutions. Furthermore, you will have to do a Q&A with the FAs (Have the FA's email questions in advance). I apologize for being so definitive but I do not see this as an option. It is not only the right thing to do, but the only thing to do.

**Redacted for Privilege**

Questions:

Can Falcon clients roll their proceeds into the MAT funds with the same terms as the MAT clients? We need to give the same kind of an option in regards to their proceeds. This is a very strategic component to our solution that needs to be implemented immediately.

Specifically in regards to two clients, Reaz told us that from that point in the market (9/07) that there was "Nothing that could permanently impair Falcon." Can we begin settlement discussions with them immediately? They have an absolute "put" option and I would get them out of the way as soon as possible. Both of these clients were in Falcon and added money via Falcon Plus and for reference Reaz's comment has no bearing on the initial Falcon investment.

Can Smith Barney find a solution by crediting Smith Barney (not CAI) fees to these clients?

Regards,

Mark

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