

From: SB
Date: June 19, 2007 10:45:56 AM PDT
To: 3 Smith Barney Wealth Managers
Subject: Thursday's Meeting

Guys,

I truly appreciate what your team has done for me to date. You guys have the highest levels of integrity, are consummate professionals and all around great, trustworthy people. Because of that, I feel responsible to communicate with you in the most honest and forthright fashion possible. On that note, I want to provide some context for Thursday's meeting and make a few requests.

To begin with, I have been taking time to more seriously educating myself around the subject of money management. This has involved reading several leading academic articles and books, the most significant being David Swensen's Unconventional Success.

Swensen, and others, argue that active management doesn't make sense on several levels. For one, the managers do not outperform the market over a long haul. I know you guys state otherwise and will show me stats, but according to Swensen and others, who seem to me to have the highest credibility both academically and professionally, the underperformance of active management over the long haul has been conclusively demonstrated through extensive research and data analysis.

This academic and professional voice suggests that fees, in the form of both management (hidden and seen) and transaction fees, as well as taxes created by increased churn results in a significant under performance in managed accounts in comparison to the indexes.

I joined a private group of high net-worth individuals that are collaborating around investment approaches with a primary focus on ETFs selection and allocation philosophies. The membership consists of people with net-worth's of 10MM in liquid assets or more and one guy, a longtime friend and financial mentor to me over the years, is a Harvard MBA and hedge-fund manager.

This leaves me with an interest in managing my own money through a broadly diversified ETF strategy. Instead of focusing on stock picking through active management, I am leaning towards buying the indexes and focusing on allocation and rebalancing on a yearly basis.

Additionally, I have done a brief analysis of the four equity funds you have chosen for me in comparison to the standard indexes per category, and the results are not good, even before taking fees into consideration. I understand that taking any one year snapshot can produce misleading results, and more time is needed to really see the overall ability of a manager. But that being said, I'm sure you could see how the under performance of the funds you have selected for me fails to build a confidence in the managed approach. You would think that at least one fund would out perform.

Instead of just pulling my cash out and buying the indexes without discussion, which I know I can easily do and is commonly done, I want to discuss this with you and have you help me understand what I am missing. Here are some of the things you can do for our discussion on Thursday to win back my confidence in the manage approach:

1. Please list all current and future fees (management and transactional) for each investment vehicle I am in or looking at (managed equity accounts, UBP, Fortress, bonds and more).
2. Please analyze the four equity funds in comparison to the broad accepted indexes for these categories over two timeframes: 1) since inception; and 2) year-to-date.
3. Other reasons you believe having a managed account helps me, access to alternative investments, allocation insight, and expert and calming voice in tumultuous times or whatever.

Sorry that after working together over the past few years, I am now rethinking all of this and requiring you guys to re-sell me on your services. I owe it to myself and my family to gain a better understanding our money management as that plays a significant role in providing for us over the years to come. I hope you understand and appreciate that fact.

Thanks,

SB