


MEMORANDUM

TO: VSC Finance & Facilities Committee
M. Jerome Diamond
J. Churchill Hindes, Chair
Tim Jerman
Bill Lippert
Christopher Macfarlane, Vice Chair
Linda Milne
Martha O'Connor
Aly Richards

FROM: Steve Wisloski, CFO and VP of Finance & Administration 

DATE: April 1, 2016

SUBJ: Finance & Facilities Committee Meeting scheduled for April 7, 2016

The Finance and Facilities Committee of the VSC Board of Trustees is scheduled to meet at 3 p.m. in Room 101 at the Chancellor's Office in Montpelier.

The proposed agenda for this meeting is attached. In addition, and as discussed at the March 10 meeting, following is a general discussion of the major items proposed to be covered at the Committee's next several meetings.

In addition to April 7, we have scheduled or proposed four Committee meetings on April 27, May 5, June 22 and in the August/September timeframe. The four major subjects to be covered include FY2016 results, FY2017 budgets, FY2018 tuition and fees, and the related topics of capital planning and debt management. Finally, of these major subjects, FY2017 budgets need to be approved at the May 25-26 Board meeting, and it is the Chancellor's recommendation that FY2018 tuition and fees will be approved at the July 20-21 Board meeting.

Given the timeframes that certain information is expected to be available, and the timing of required Board approvals, following is a proposed outline of the major topics to be discussed:

- **April 7** – general discussion of FY2017 budget outlook; review of admissions to date; deeper dive into major revenue and expense categories; review of reserves to include inter-system loans; updates on progress toward implementation of AGB report revenue recommendations; and initiatives to reduce expenses.
- **April 27** – review of draft FY2017 budgets; discussion of FY2018 tuition and fees using pro-forma FY2018 budgets; update on admissions; update on AGB recommendations.
- **May 5** (recommend rescheduling to **May 19**; initially this meeting was scheduled simply to coincide with the previously-scheduled Long Range Planning Committee meeting. Delaying this meeting would ensure availability of the FY2016 quarterly financial reports, and would provide another two weeks' enrollment information during the critical April-May timeframe) – review FY2016 quarterly results through March 31 and discuss any required adjustments to address deficits; review and approve final FY2017 budget recommendation to Board; continue discussion of FY2018 tuition and fees.
- **June 22** (do we need to reschedule this meeting – it appears that at least two Committee members are unavailable this date) – review and approve FY2018 tuition and fees recommendation to Board; discuss capital planning and debt management; discuss work plan and meeting schedule for 2016-17 academic year.
- **August/September** – discuss capital planning and prioritization; discuss profile of outstanding debt and strategies for lower debt service costs and increasing debt capacity and possibly additional items relevant to the agenda for the Board retreat.

Should you have any questions regarding the upcoming meeting or any other matter, or any requested additions to the agenda, please contact me at stephen.wisloski@vsc.edu or (802) 224-3022. Thank you.

Attachments:

1. Agenda
2. Meeting Materials

cc: VSC Board of Trustees, Council of Presidents and Business Affairs Council
Sam Winship, Vermont Department of Finance & Management
The Honorable Douglas Hoffer, Vermont State Auditor

**Vermont State Colleges Board of Trustees
Finance and Facilities Committee Special Meeting
April 7, 2016**

AGENDA

1. Call to Order
2. Consent Agenda [Page 5](#)
 - a. Minutes of March 10, 2016 meeting
 - b. Annual Banking and Investment Resolution
 - c. Establishment of Endowment
3. Update on legislative session
4. Discussion of Committee actions relative to next Board of Trustees meetings
 - a. Approval of FY2017 budgets for May 25-26 Board meeting
 - b. Approval of FY2018 tuition and fees for July 20-21 Board meeting
 - c. Approval(s) prior to September 20-21 Board retreat and meeting TBD
5. FY2017 budget development process [Page 16](#)
 - a. Initial FY2017 outlook, projected gains/deficits by college/system
 - b. Savings initiatives at college, strategic alliance, and system levels
 - c. General timeframe and process for considering fiscal aspects of options/recommendations related to JSC/LSC and VTC/CCV
 - d. Deeper dive into major expense categories
 - e. Reserves summary including inter-system loans
 - f. Cash and investment summary
6. Dates, times and deliverables for next meetings
 - a. Wednesday, April 27 from 3:00 to 5:00 p.m.
 - b. Proposed change to May 19 from 3:00 to 5:00 p.m.
 - c. Wednesday, June 22 from 3:00 to 5:00 p.m. (change meeting date?)
 - d. Proposed: date/time TBD prior to September 2016 Board retreat
7. Other business
8. Public comment
9. Adjourn

MEETING MATERIALS

1. Consent Agenda Items
 - a. Minutes of March 10, 2016 meeting
 - b. Annual Banking and Investment Resolution
 - c. Establishment of Endowment
2. Summary of Major Expense Categories: To Be Provided
3. Summary of Reserves and Inter-System Loans as of June 30, 2015
4. Cash and Investments Summary for March 31, 2016
5. Morgan Stanley Quarterly Endowment Reports for December 31, 2015

Item 1:
Consent Agenda Items

[Back to Agenda](#)

Unapproved minutes of the Finance & Facilities Committee meeting Thursday, March 10, 2016

Note: These are unapproved minutes, subject to amendment and/or approval at the subsequent meeting.

The Vermont State Colleges Board of Trustees Finance and Facilities Committee met on March 10, 2016 at the Chancellor's Office in Montpelier.

Committee members present: Jerry Diamond, Church Hinds (Chair), Chris Macfarlane (Vice-Chair), Linda Milne

Absent: Tim Jerman, Bill Lippert, Martha O'Connor, Aly Richards

Other Trustees: Lynn Dickinson, Karen Luneau

Presidents: Joe Bertolino, Elaine Collins, Joyce Judy, Dave Wolk

From the Chancellor's Office: Bill Reedy, General Counsel
Deb Robinson, Controller
Elaine Sopchak, Executive Assistant to the Chancellor
Jeb Spaulding, Chancellor
Steve Wisloski, Chief Financial Officer
Yasmine Ziesler, Chief Academic & Academic Technology Officer

From the Colleges: Scott Dikeman, CU Dean of Administration
Loren Loomis Hubbell, LSC Dean of Administration
Barbara Martin, CCV Dean of Administration
Sharron Scott, JSC Dean of Administration
Lit Tyler, VTC Dean of Administration
Tess Conant, LSC

Chair Hinds called the meeting to order at 3:06 p.m.

Trustee Diamond moved that the Finance and Facilities Committee find that a discussion in open session of ongoing collective bargaining efforts, as well as potential labor relations agreements with respect to the Community College of Vermont, and legal advice with respect thereto, would clearly place the Vermont State Colleges at a substantial disadvantage, and that the Committee enter executive session pursuant to 1 V.S.A. §313(a)(1)(B) and (F) to discuss the above. In

addition to Committee members, attendance of other Board members, the Chancellor, the General Counsel, college presidents, and the Chief Financial Officer were permitted in the executive session.

The motion was seconded by Trustee Milne and the Committee voted unanimously to enter executive session. The Committee entered executive session at 3:08 p.m. The Committee exited executive session at 3:45 and took no action.

1. Introductory comments

CFO Stephen Wisloski reviewed a proposed format for agendas, meeting content, and minutes going forward.

2. Possible Executive Session with Long Range Planning Committee pursuant to 1 V.S.A. § 313 (a)(1)(B)

This item was handled as the first order of business.

3. Agenda review and announcements

4. Consent agenda

- a. Minutes of November 18, 2015 meeting
- b. Minutes of January 13, 2016 meeting
- c. Grants and Endowments

Trustee Diamond moved and Trustee Macfarlane seconded the consent agenda. The Committee approved the consent agenda unanimously.

5. Consideration of Revision to Policy 417, "Tuition Waivers for Senior Citizens"

Chancellor Spaulding suggested that the title of the policy be amended to "Tuition Discount for Students Age 60 and Over." Trustee Milne moved and Trustee Diamond seconded the resolution. The Committee discussed revisions to the policy.

Trustee Milne moved to amend the title of the proposed policy to Chancellor Spaulding's suggestion. Trustee Diamond seconded the amendment. The Committee approved the revised policy as amended unanimously.

6. Review of FY2016 2nd Quarter Financial Reports

- a. 2nd qtr actuals, full year projections, potential use of reserves

Chair Hinds reminded the Committee that the presidents briefed the board about second quarter results at the last meeting.

- b. Reserves: current status and in context of Policy 403

Chair Hinds stated that the Committee will review Policy 403 to consider possible revisions.

- c. Major revenue and expense categories, and 1% changes to each

CFO Wisloski reviewed the categories.

- d. Review of AGB Report's major budgetary recommendations

Chair Hinds requested to defer this discussion.

7. Proposed Committee work plan through fiscal year-end

- a. Deliverables in advance of May 25-26 and July 20-21 BOT Meetings
- i. May 25-26: approval of FY2017 Budgets
 - ii. July 20-21: approval of FY2018 Tuition and Fees
- b. FY2017 budget development process
- i. Initial FY2017 outlook, projected gains/deficits by college/System
 - ii. Systematic approach to realizing up to \$3mm in durable savings
 - iii. General timeframe and process for considering fiscal aspects of options/recommendations related to JSC/LSC and VTC/CCV
- c. FY2018 tuition and fees
- i. Timing dictated by "Prior-Prior" Year Free Application for Federal Student Assistance (FAFSA) process
 - ii. Suggested parameters and ground rules
- d. Capital planning and debt capacity/management review (this summer)

8. Proposed organization of workload for next five meetings:

- a. Thursday, April 7 from 3:00 to 5:00 p.m. (new)
- b. Wednesday, April 27 from 3:00 to 5:00 p.m. (previously scheduled)
- c. Proposed: Thursday, May 5 from 3:00 to 5:00 p.m., after LRPC (new)
- d. Wednesday, June 22 from 3:00 to 5:00 p.m. (previously scheduled)
- e. Proposed: date/time TBD prior to September 2016 board retreat

Chair Hindes requested the work plan in item 7 be aligned with the dates in item 8. He suggested the Committee consider the dates again at the next meeting on April 7th. A draft schedule will be prepared for discussion at that time.

9. Any other business

There was no other business.

10. Public comment

There was no public comment.

Trustee Diamond moved and Trustee Macfarlane seconded a motion to adjourn. The meeting adjourned at 5:02 p.m.

UNAPPROVED

Annual Banking and Investment Resolution

The VSC's Banking and Investment Resolution prescribes what financial activities are empowered to the Chancellor and/or Chief Financial Officer on behalf of the system, and what are empowered to the Presidents and/or Deans of Administration on behalf of the individual colleges. Financial institutions with which we deal desire to see such a document endorsed periodically by the Trustees, to assure the Board is currently comfortable with its implications. To accommodate this desire, now presented for review and approval is the following resolution, which is unchanged from the one passed by the Board last year.

While resolution wording is in necessary legal language, essentially it: (a) empowers the Chancellor and/or Vice President, Chief Financial Officer to establish bank or other accounts for VSC operations as well as system cash management and investment activities; to secure financing consistent with applicable Board or legislative authority; to pledge collateral as may be necessary for certain financing; and to handle virtually all other aspects relevant to financial matters of the VSC; and (b) empowers college Presidents and/or Deans of Administration to establish bank or other accounts for respective college operations as well as college cash management activities.

VERMONT STATE COLLEGES

BOARD OF TRUSTEES

RESOLUTION

Banking and Investment

- WHEREAS, The conduct of the business affairs of the Vermont State Colleges and each of its constituent members requires the establishment of banking relations and investment of funds; and
- WHEREAS, The selected officials of the Vermont State Colleges should be empowered to conduct banking and investment affairs in keeping with the organization of Vermont State Colleges; and
- WHEREAS, The term “bank” throughout this resolution also refers to credit unions and other depository or lending institutions that are licensed by the state of Vermont; therefore, be it
- RESOLVED, That the Chancellor and/or Chief Financial Officer are authorized to do the following:
1. Establish accounts with banks and authorized brokers/dealers (safekeeping, trust, checking, savings, money market, time or demand deposit) through which to transact the cash management and investment business of the Vermont State Colleges, and delegate authority for initiation of related wire transfers;
 2. Borrow money and obtain credit from banks, authorized brokers/dealers, or other lending agencies in conformity with Board of Trustees approved budgets: and execute and deliver notes, draft acceptances, instruments of guaranty, and any other legal obligations of Vermont State Colleges, therefore, in form satisfactory to the lending agency;
 3. Pledge or assign and deliver, as security for money borrowed or credit obtained, stocks, bonds, bills receivable, accounts, mortgages,

merchandise, bills of lading or other shipping documents, warehouse receipts, insurance policies, certificates and any other property held by, or belonging to, this corporation, with full authority to endorse, assign, transfer or guarantee the same in the name of this corporation, except as restricted by Vermont Statute;

4. Discount any bills receivable or any paper held by this corporation, with full authority to endorse the same in the name of this corporation;
5. Withdraw from banks or authorized brokers/dealers and give receipt for, or authorize banks or authorized brokers/dealers to deliver to bearer or to one or more designated persons, all or any documents and securities or other property held by it, whether held as collateral security or for safekeeping or for any other purpose;
6. Invest funds of Vermont State Colleges in legal investments as established by Board of Trustees policy;
7. Sell or authorize and request banks, or authorized brokers/dealers to purchase or sell, for the account of this corporation, foreign exchange, stocks, bonds, and other securities;
8. Apply for and receive letters of credit, and execute and deliver all necessary or proper documents for that purpose;
9. Execute and deliver all instruments and documents required in connection with any of the foregoing matters, and to affix the seal of this corporation; and, be it further

RESOLVED,

That the President and/or Dean of Administration of each college of the Vermont State Colleges (Community College of Vermont, Castleton State College, Johnson State College, Lyndon State College, and Vermont Technical College) are authorized to do the following:

1. Establish bank or accounts (safekeeping, trust, checking, savings, money market, time or demand deposit) through which to transact the banking business of the college in which they are officers.

May 26, 2016



March 24, 2016

Jeb Spaulding, Chancellor
Vermont State Colleges
P.O. Box 7
Montpelier, VT, 05602

Dear Chancellor Spaulding,

I am pleased to send you the New Funding Source Document for establishing a new endowment at Johnson State College. A generous gift of \$30,000 from alumni Mr. and Mrs. Earl and Carolyn Fisher (classes of 1968 and 1961 respectively) will be used to establish:

THE CHARLOTTE HURLBUT BULLOCK and CAROLYN B. FISHER ENDOWMENT

This endowment will support *The Charlotte Hurlbut Bullock and Carolyn B. Fisher Scholarship* in honor of the alumna and in memory of her late mother, Charlotte. This new scholarship will be awarded to returning undergraduate students who have demonstrated financial need. Academic performance will not be a primary consideration. The recipient(s) will be chosen yearly by the JSC scholarship committee.

Each year, half of the available interest will be awarded in scholarship support and the remaining half of the interest will be rolled back into the endowment corpus in order to grow the fund. The donors intend to continue to build the endowment with annual gifts and, eventually, the proceeds of the sale of their residuary estate.

We look forward to the Vermont State College Board of Trustees' approval for the establishment of this new endowment.

Sincerely,

A handwritten signature in cursive script that reads "Elaine C. Collins".

Dr. Elaine C. Collins, President

Attachment: Funding Source C document

- NEW FUNDING SOURCE DOCUMENT - ENDOWMENTS ONLY

Johnson State College
 (College Name)

Submit to Chancellor's Office for all activities based upon a new funding source.
 Place copy in front of any applicable master file.

1) <u>Name of endowment:</u> (type in all CAP'S) The Charlotte Hurlbut Bullock and Carolyn B. Fisher Endowment		
2) <u>Granting agency/donor/other funding source:</u> (attach support info) Married alumni, Earl and Carilyn Fisher have made a \$30,000 gift to establish the endowment.		
3) <u>Purpose of endowment:</u> (attach support information) To fund the Charlotte Hurlbut Bullock and Carolyn B. Fisher Scholarship to be awarded annually to a student with financial need. .		
4) <u>Proper accounting fund:</u> ___X___ Regular Endowment ___ Term Endowment		
5) <u>General Ledger Activity Code(s):</u> (as proposed or assigned) 033-37056		
6a) <u>Date Endowment Reach Endowment Status:</u> 3/17/16		
7) <u>Reporting requirements:</u> (format/to whom/frequency/other) None.		
8a) <u>Funding amount:</u> \$30,000	8b) ___ <u>One-time</u> - OR ___X___ <u>Ongoing funding</u> (indicate timeframe:) bequest	
9a) <u>Is principal use allowed:</u> (w/Board OK?) NO	9b) <u>If yes, is replenishment of principal allowed or required:</u>	
10) <u>If investment proceeds generated, indicate intended disposition:</u> ___ Per Board Approved Spending Procedure ___ Fully expend for program as prescribed ___X___ Increase principal for inflation and expend remainder (5-%) ___ Fully apply to increasing principal ___X___ Other (describe:) half of the available interest will be rolled back into the endowment corpus		
11) <u>President:</u> Dr. Elaine C. Collins	12) <u>Date to Ch's Ofc:</u> 24-Mar-16	13) <u>Date Board Approved:</u>

VERMONT STATE COLLEGES

BOARD OF TRUSTEES

RESOLUTION

VSC Finance and Facilities Committee Business: Consent Agenda

WHEREAS, At its April 7, 2016 meeting the VSC Finance and Facilities Committee discussed the business items outlined below; therefore, be it

RESOLVED, The Committee has voted to approve the items outlined below and recommends them to the full Board:

- Approval of the minutes of the March 10, 2016 meeting
- Annual Banking and Investment Resolution
- Establishment of Endowment: JSC Charlotte Hurlbut Bullock and Carolyn B. Fisher Endowment

May 26, 2016

Item 2:
Summary of Major Expense Categories

Materials To Be Provided

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Item 3:
Summary of Reserves and Inter-System Loans

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Vermont State Colleges
FY2015 Reserves as a Percentage of Budgeted Expenses and System Loans

Fund Type	CCV		CU		JSC		LSC		VTC*		CO	TOTAL
Board Required Reserve	718,000	2.5%	1,225,305	2.5%	735,479	2.5%	786,561	2.6%	888,668	2.5%	-	4,354,013
Strategic Reserve	1,435,000	4.9%	766,515	1.6%	1,470,958	5.0%	1,613,154	5.2%	-	0.0%	-	5,285,627
Carry Forward Reserve	610,063				127,691		540,094		-		-	1,277,848
Quasi-Endowments	191,846		260,717		8,884		478,940		1,917,600		109,117	2,967,103
All Other	532,235		1,796,059		1,773,795		2,451,917		708,219		4,218,663	11,480,889
OPEB Accrual	(7,213,254)		(14,367,084)		(7,870,374)		(9,089,924)		(13,444,075)		(2,748,792)	(54,733,503)
Total	(3,726,110)		(10,318,489)		(3,753,567)		(3,219,258)		(9,929,587)		1,578,988	(29,368,024) **

* VTC includes Vermont Interactive Technologies (VIT) and Workforce Development (WFD).

** Compare to Unrestricted Net Position of (\$29,368,121) on page 19 of FY2015 Audited Financial Statements.

System Loans	CCV	CU	JSC	LSC	VTC	CO	TOTAL
Outstanding Principal	-	1,491,435	34,999	16,539	4,101,000	(5,643,973)	-

Item 4:
Cash and Investment Summary

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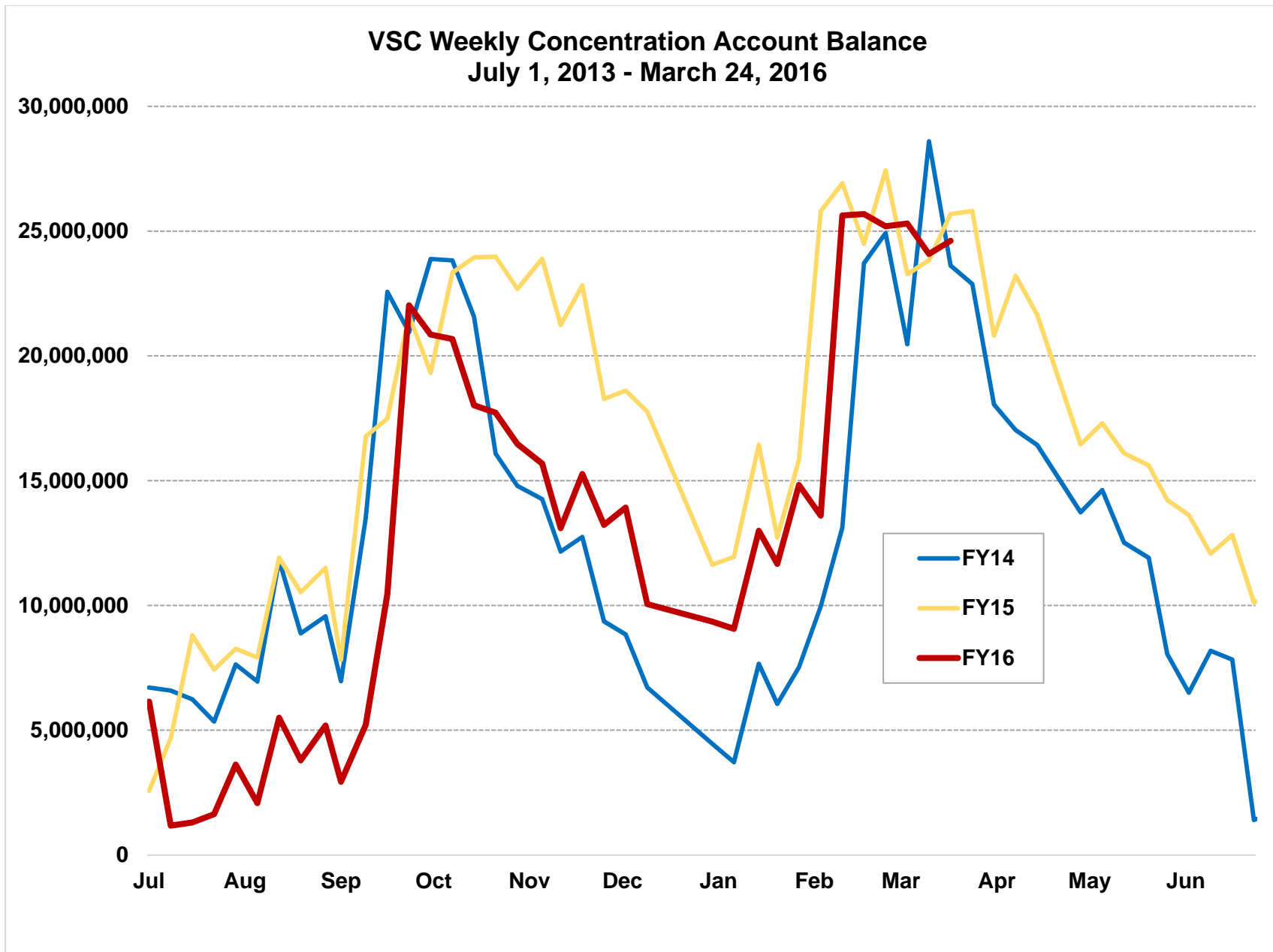
**VERMONT STATE COLLEGES
 CASH & INVESTMENT REPORT: As of 2/29/2016**

(Excludes non-operating/non-endowment investments made by VSC capital bond trustees)

	<u>FY2014</u>			<u>FY2015</u>			<u>FY2016</u>		
	<u>CASH</u> Avg Daily <u>Balance</u>	<u>INV'MT</u> Avg Daily <u>Balance</u>	<u>CASH & INV'MT</u> Avg Daily <u>Balance</u>	<u>CASH</u> Avg Daily <u>Balance</u>	<u>INV'MT</u> Avg Daily <u>Balance</u>	<u>CASH & INV'MT</u> Avg Daily <u>Balance</u>	<u>CASH</u> Avg Daily <u>Balance</u>	<u>INV'MT</u> Avg Daily <u>Balance</u>	<u>CASH & INV'MT</u> Avg Daily <u>Balance</u>
JULY	5,296,427	48,332,067	53,628,494	5,693,454	49,867,648	55,561,102	3,355,541	46,380,924	49,736,465
AUGUST	9,825,415	47,302,618	57,128,033	10,617,091	50,457,909	61,075,000	4,592,608	46,127,004	50,719,612
SEPTEMBER	15,632,690	48,110,810	63,743,500	15,870,921	49,854,030	65,724,951	11,165,432	45,681,768	56,847,200
OCTOBER	21,718,225	53,810,622	75,528,848	23,455,481	50,257,327	73,712,808	20,198,716	46,848,645	67,047,361
NOVEMBER	13,853,469	54,060,408	67,913,877	22,488,791	50,662,244	73,151,035	15,282,537	46,770,232	62,052,769
DECEMBER	7,762,978	54,602,700	62,365,678	16,582,373	50,599,560	67,181,933	11,965,241	46,325,445	58,290,686
JANUARY	6,504,135	54,227,520	60,731,656	13,982,318	50,470,073	64,452,391	12,107,286	45,698,086	57,805,372
FEBRUARY	15,834,562	55,091,809	70,926,372	25,288,139	51,191,635	76,479,774	22,520,132	45,771,201	68,291,332
MARCH	24,539,278	55,145,994	79,685,272	25,813,245	51,040,377	76,853,623	0	0	0
APRIL	17,902,254	55,309,876	73,212,131	33,001,582	51,196,107	73,197,689	0	0	0
MAY	13,495,445	55,805,308	69,300,753	16,613,579	50,630,767	67,244,346	0	0	0
JUNE	5,486,546	52,596,707	58,083,253	12,181,645	50,099,272	62,280,917	0	0	0
Cash & Inv Avg <u>thru 8 months</u>	\$12,053,488	\$51,942,319	\$63,995,807	\$16,747,321	\$50,420,053	\$67,167,374	\$12,648,437	\$46,200,413	\$58,848,850

Summary of February Average Daily Balances

TD Bank Concentration Account	21,374,012
TD Wealth Management Medical	330,374
TD Bank Enterprise Money Market	3,653,475
TD Wealth Investments	20,204,009
Morgan Stanley (Endowment)	<u>21,913,717</u>
Total Investment	<u>\$67,475,587</u>
Remainder of money at local college banks	<u>\$815,746</u>
	<u>\$68,291,332</u>



Item 5:
Morgan Stanley Endowment Reports

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2015 Year In Review

Prepared on January 28, 2016

Prepared For: **VSC - Managed and Operations Accounts**

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ACCOUNT(S) INCLUDED IN THIS REPORT

VSC All Accounts

Reporting Currency: USD

ACCOUNT(S) DETAIL

Account Name and Address	Account Type/Manager Name	Advisory/Brokerage	Account Number	Date Opened	Date Closed
IRONWOOD IRONWOOD ACCOUNT PO BOX 7 MONTPELIER	Alternative Investments Advisory	Advisory	383-020918	09/17/14	
SKYBRIDGE SKYBRIDGE ACCOUNT PO BOX 7 MONTPELIER	Alternative Investments Advisory	Advisory	383-020919	09/17/14	
VERMONT STATE COLLEGES ATTN: THOMAS ROBBINS PO BOX 7 MONTPELIER	Consulting Group Advisor AAA	Advisory Brokerage	383-108872 383-108873	12/20/02 12/20/02	
	Delaware Investments - International AAA	Advisory Advisory	383-108874 383-108920	12/20/02 02/06/03	
	Anchor Capital - Mid Cap Value	Advisory	383-108918	02/06/03	
	ClearBridge - Multi Cap Growth	Advisory	383-110533	04/19/06	
	Seix Advisors - High Yield Bon	Advisory	383-110534	04/19/06	
		Advisory	999-209262		10/27/10
VERMONT STATE COLLEGES PO BOX 7 MONTPELIER	ThomasPartners	Advisory	383-122584	03/07/12	

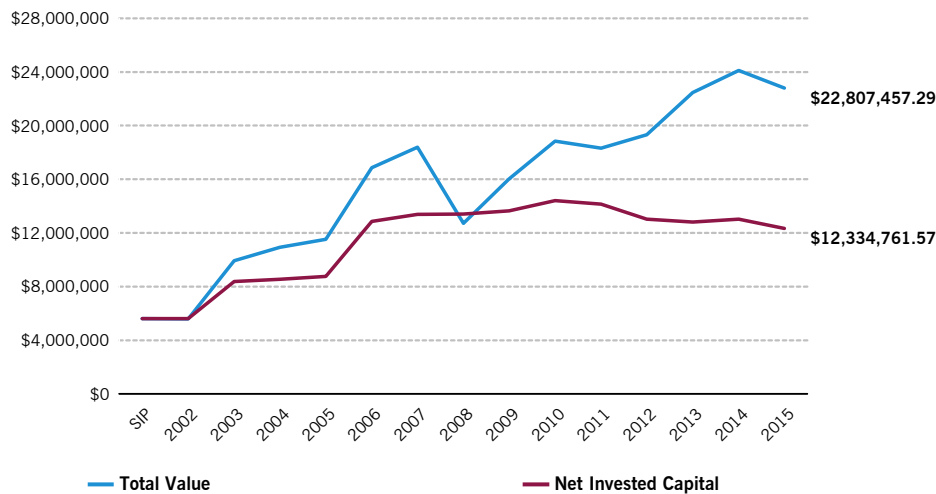
All content within this Document applies to the accounts listed above or a subset thereof, unless otherwise indicated.

INVESTMENT SUMMARY DOLLAR WEIGHTED RETURNS

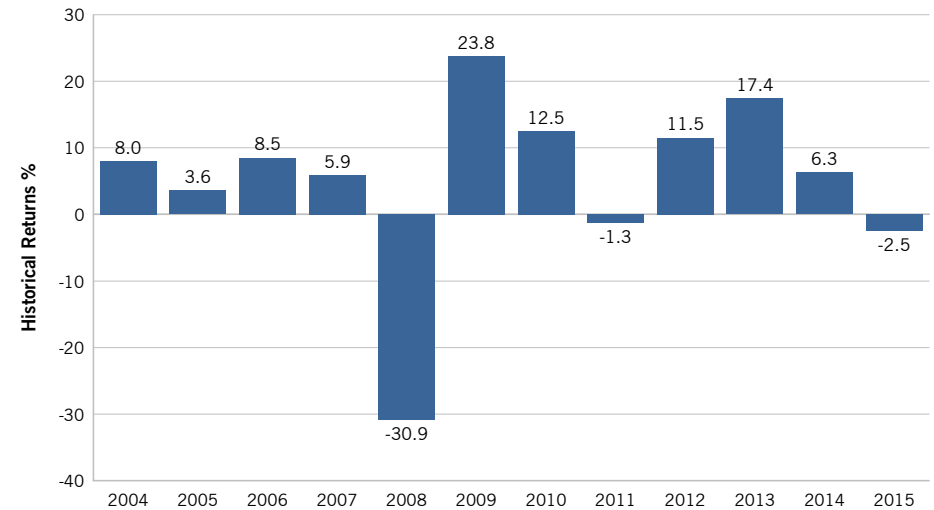
VSC All Accounts

As of December 31, 2015 | Reporting Currency: USD

TOTAL VALUE VS. NET INVESTED CAPITAL



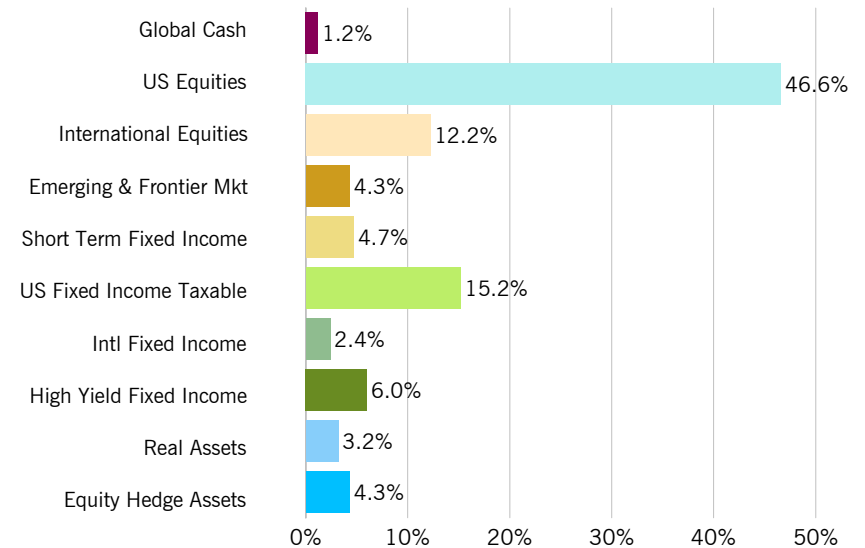
PERIOD RETURN % (NET OF FEES)



CHANGE IN VALUE AND RETURN % (NET OF FEES)

	Year to Date 12/31/14-12/31/15	Last 3 Years 12/31/12-12/31/15	Performance Inception 12/26/02-12/31/15
Beginning Total Value	\$24,106,962.89	\$19,329,468.29	\$5,616,088.35
Net Contributions/Withdrawals	-687,821.84	-688,846.49	6,718,673.22
Investment Earnings	-611,683.76	4,166,835.49	10,472,695.72
Ending Total Value	\$22,807,457.29	\$22,807,457.29	\$22,807,457.29
DOLLAR WEIGHTED RATE OF RETURN			
Return % (Net of Fees)	-2.59%	6.81%	5.00%

ASSET ALLOCATION



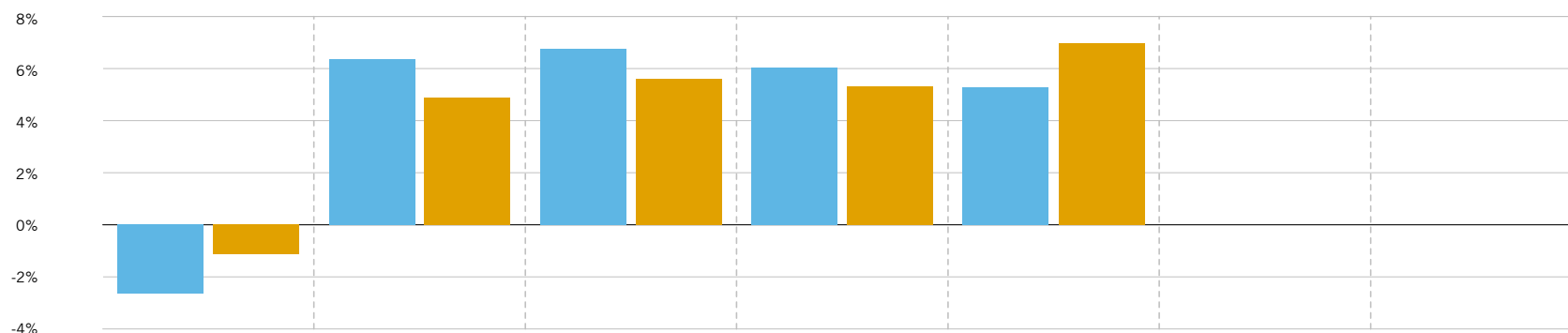
Does not include Performance Ineligible Assets.

TIME WEIGHTED PERFORMANCE SUMMARY

VSC All Accounts

As of December 31, 2015 | Reporting Currency: USD

RETURN % (NET OF FEES) VS. BENCHMARKS



	Year to Date 12/31/14 - 12/31/15	Previous Year 12/31/13 - 12/31/14	Last 3 Years 12/31/12 - 12/31/15	Last 5 Years 12/31/10 - 12/31/15	Performance Inception 12/26/02 - 12/31/15
Beginning Total Value	\$24,106,962.89	\$22,472,076.62	\$19,329,468.29	\$18,841,593.25	\$5,616,088.35
Net Contributions/Withdrawals	-687,821.84	204,189.17	-688,846.49	-2,072,377.60	6,718,673.22
Investment Earnings	-611,683.76	1,430,697.10	4,166,835.49	6,038,241.64	10,472,695.72
Ending Total Value	\$22,807,457.29	\$24,106,962.89	\$22,807,457.29	\$22,807,457.29	\$22,807,457.29
Return % (Net of Fees)	-2.66	6.36	6.75	6.02	5.26
65% MSCI AC World/35% Barclays Agg	-1.13	4.87	5.61	5.31	6.98

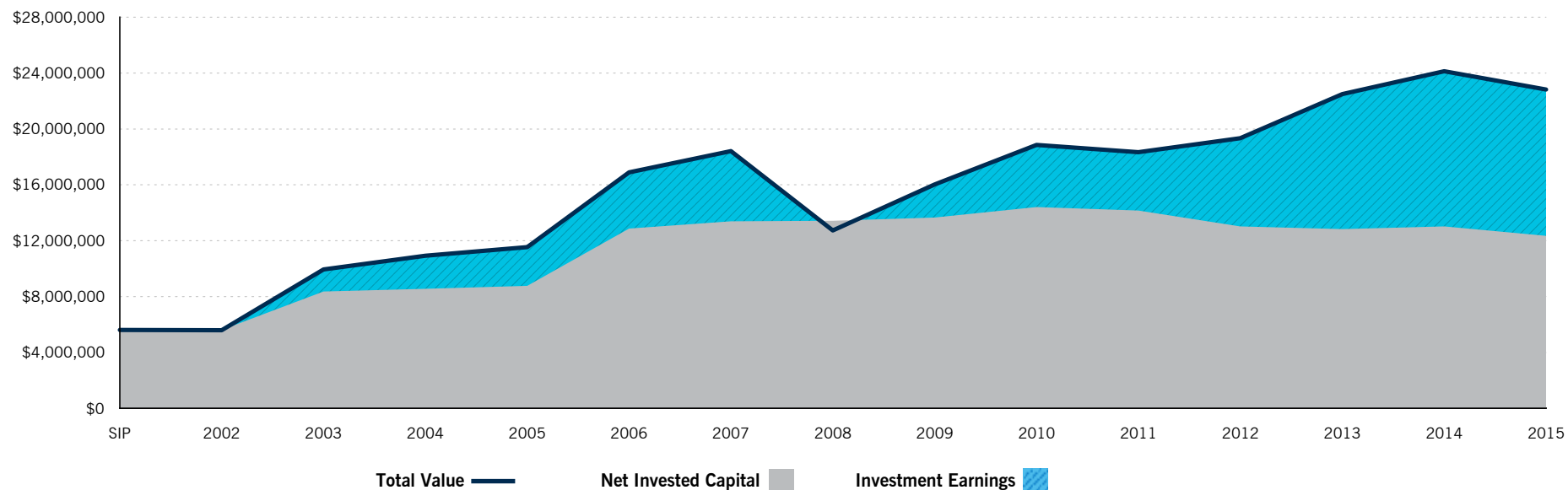
The investment returns shown on this page are time-weighted measurements which exclude the effect of the timing and amount of your contributions and withdrawals.

CHANGE IN PORTFOLIO VALUE

VSC All Accounts

As of Dec 31, 2015 | Reporting Currency: USD

CHANGE IN VALUE SINCE PERFORMANCE INCEPTION



CHANGE IN VALUE

From 12/26/2002 to 12/31/2015

Year	Beginning Total Value	Net Contributions / Withdrawals	Investment Earnings	Ending Total Value
2015	\$24,106,962.89	-\$687,821.84	-\$611,683.76	\$22,807,457.29
2014	\$22,472,076.62	\$204,189.17	\$1,430,697.10	\$24,106,962.89
2013	\$19,329,468.29	-\$205,213.82	\$3,347,822.15	\$22,472,076.62
2012	\$18,324,991.32	-\$1,120,362.82	\$2,124,839.79	\$19,329,468.29
2011	\$18,841,593.25	-\$263,168.29	-\$253,433.64	\$18,324,991.32
2010	\$16,022,319.24	\$761,967.24	\$2,057,306.77	\$18,841,593.25
2009	\$12,721,592.36	\$234,926.96	\$3,065,799.92	\$16,022,319.24

Does not include Performance Ineligible Assets.

CHANGE IN PORTFOLIO VALUE

VSC All Accounts

As of Dec 31, 2015 | Reporting Currency: USD

CHANGE IN VALUE (CONTINUED)

Year	Beginning Total Value	Net Contributions / Withdrawals	Investment Earnings	Ending Total Value
2008	\$18,401,184.35	\$27,676.05	-\$5,707,268.04	\$12,721,592.36
2007	\$16,871,806.85	\$519,597.19	\$1,009,780.31	\$18,401,184.35
2006	\$11,535,048.22	\$4,106,276.51	\$1,230,482.12	\$16,871,806.85
2005	\$10,924,124.76	\$204,371.70	\$406,551.76	\$11,535,048.22
2004	\$9,933,326.15	\$183,972.42	\$806,826.19	\$10,924,124.76
2003	\$5,595,765.35	\$2,752,262.75	\$1,585,298.05	\$9,933,326.15
2002	\$5,616,088.35	\$0.00	-\$20,323.00	\$5,595,765.35
Performance Inception: 12/26/02				

Does not include Performance Ineligible Assets.

DISCLOSURES

Explanatory Notes and Disclosures: This document is designed to assist you and your Financial Advisor in understanding portfolio positions, composition and subsets thereof. It is designed solely for your individual use, is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. Do not take action relying on this information without confirming its accuracy and completeness. Please read carefully all accompanying notes and disclosures provided in this Document.

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Asset Classification: We classify assets based on general characteristics such as: income generation, underlying capital structure, or exposure to certain market sectors. As many assets contain characteristics of more than one asset class, allocations may be under or over inclusive. Asset allocations may differ from product allocations.

The Other asset class contains securities that are not included in the various asset class classifications. This can include, but is not limited to, non-traditional investments such as some Equity Unit Trusts, Index Options and Structured Investments issued outside of Morgan Stanley. Additionally, investments for which we are unable to procure market data to properly classify them will appear in the Other category.

Additional information about your Floating Rate Notes: For floating rate securities, the estimated accrued interest and estimated annual income are based on the current floating coupon rate and may not reflect historic rates within the accrual period.

Performance: Performance results are annualized for time periods greater than one year and include all cash and cash equivalents, realized and unrealized capital gains and losses, and dividends, interest and income. The investment results depicted herein represent historical performance. As a result of recent market activity, current performance may vary from the figures shown. Please contact your Financial Advisor for up to date performance information. Past performance is not a guarantee of future results.

Market values used for performance calculation do not include performance ineligible assets and thus may differ from asset allocation market values. Common examples of performance ineligible assets include life insurance, some annuities and assets held externally. Unless otherwise indicated, performance is a composite calculation on the entire portfolio and may include brokerage and investment advisory accounts, as well as assets for different accounts included in this report. The accounts included in the composite may have (or have had) different investment objectives and strategies, been subject to different restrictions, and incurred different types of fees, markups, commissions and other charges. Accordingly, performance results may blend the performance of assets and strategies that may not have been available in all of the accounts at all times during the reporting period. In addition, accounts in the composite may have changed from brokerage to advisory or vice versa. Accounts may also have moved from one advisory program to another (including from a discretionary program to a non-discretionary program).

Performance information may cover the full history of the account(s) or just the performance of an account(s) since the inception of the current program(s). Performance results on individual accounts will vary and may differ from the composite returns. Your Financial Advisor can provide you with individual account portfolio composition and performance information. For investment advisory accounts, please see the Morgan Stanley Smith Barney Form ADV Part 2 or applicable disclosure brochure. For brokerage accounts, please speak to your Financial Advisor for more information on commissions and other account fees and expenses. Performance inception date does not necessarily correspond to the account opening date. Where multiple accounts are included in performance

VSC All Accounts

Prepared on January 28, 2016 | Reporting Currency: USD

calculations, the inception date is the oldest performance inception. Performance data may not be available for all periods as some accounts included in performance may have more recent performance inception dates. Consequently, the actual performance for a group of accounts may differ from reported performance. Please ask your Financial Advisor for the performance inception date for each account.

Indices: Benchmark indices and blends included in this material are for informational purposes only, are provided solely as a comparison tool and may not reflect the underlying composition and/or investment objective(s) associated with the account(s). In some circumstances, the benchmark index may not be an appropriate benchmark for use with the specific composite portfolio. For instance, an index may not take into consideration certain changes that may have occurred in the portfolio since the inception of the account(s), (e.g., changes from a brokerage to an advisory account or from one advisory program to another, asset class changes, or index changes for individual managers). The volatility of the index used for comparison may be materially different from that of the performance shown. Indices are unmanaged and not available for direct investment. Index returns do not take into account fees or other charges. Such fees and charges would reduce performance. Please see the Benchmark Definitions section of this material for additional information on the indices used for comparison.

GENERAL DEFINITIONS

Total Value: Total Value represents the Market Value of the portfolio or of a given Asset Class inclusive of interest and dividend accruals. Total Value for Asset Allocation before January 2014 does not include accruals.

Dollar-Weighted Return (Internal Rate of Return): A return calculation that measures the performance of your portfolio based on actual dollars invested over the reporting period. Since dollar weighted returns include the impact of the timing of contributions and withdrawals, they should not be compared to market indices or used to evaluate the performance of a manager but can be used to evaluate your progress toward investment goals.

Time-Weighted Return: A return calculation that measures the performance of one dollar invested over the reporting period. As time-weighted returns do not include the impact of timing of contributions and withdrawals, they can be compared to market indices and used to evaluate the performance of an investment or manager.

Net of Fees: Performance results depicted as "net" of fees shall mean that any wrap fee, investment management fees, trade commissions, and/or other account fees have been deducted. Any other fees or expenses associated with the account, such as third party custodian fees, may not have been deducted. Please see the Morgan Stanley Smith Barney LLC Form ADV Part 2 Brochure for advisory accounts and/or any applicable brokerage account trade confirmation statements for a full disclosure of the applicable charges, fees and expenses. Your Financial Advisor will provide those documents to you upon request.

Net Contributions/Withdrawals: The net value of cash and securities contributed to or withdrawn from the account(s) during the reporting period. Net contributions and withdrawals may include advisory fees for advisory accounts.

Performance ineligible assets: Performance returns are not calculated for certain assets because accurate valuations and transaction data for these assets are not processed or maintained by us. Common examples of these include life insurance, some annuities and some assets held externally.

Investment Earnings: A combination of the income received and total portfolio value increase or decrease, excluding net contributions and withdrawals, over the reporting period.

Net Invested Capital: A combination of the total portfolio value and the net contributions/withdrawals over the reporting period.

BENCHMARK DEFINITIONS

65% MSCI AC World/35% Barclays Agg: The current allocation is comprised of 65.00% MSCI AC World Net, 35.00% BC Aggregate.

BC Aggregate: The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).

VSC All AccountsPrepared on January 28, 2016 | Reporting Currency: USD

MSCI AC World Net: The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed market country indexes included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey, and United Arab Emirates (as of June 2014). Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. For historical return purposes the AC World gross returns are being used from 1/31/1988 to 12/31/1998 and the net returns begin as of 1/31/1999.

2015 Year in Review

Prepared on January 28, 2016

Prepared For: **VSC - Managed Accounts (Excluding Operations)**

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ACCOUNT(S) INCLUDED IN THIS REPORT

VSC Managed Accounts

Reporting Currency: USD

ACCOUNT(S) DETAIL

Account Name and Address	Account Type/Manager Name	Advisory/Brokerage	Account Number	Date Opened	Date Closed
IRONWOOD IRONWOOD ACCOUNT PO BOX 7 MONTPELIER	Alternative Investments Advisory	Advisory	383-020918	09/17/14	
SKYBRIDGE SKYBRIDGE ACCOUNT PO BOX 7 MONTPELIER	Alternative Investments Advisory	Advisory	383-020919	09/17/14	
VERMONT STATE COLLEGES ATTN: THOMAS ROBBINS PO BOX 7 MONTPELIER	Consulting Group Advisor	Advisory	383-108872	12/20/02	
	Delaware Investments - International	Advisory	383-108874	12/20/02	
	AAA	Advisory	383-108920	02/06/03	
	Anchor Capital - Mid Cap Value	Advisory	383-108918	02/06/03	
	Seix Advisors - High Yield Bond	Advisory	383-110534	04/19/06	
	ClearBridge - Multi Cap Growth	Advisory	383-110533	04/19/06	
VERMONT STATE COLLEGES PO BOX 7 MONTPELIER	ThomasPartners	Advisory	383-122584	03/07/12	

All content within this Document applies to the accounts listed above or a subset thereof, unless otherwise indicated.

Capital Markets Overview: 4Q 2015

Introduction

As of 4Q 2015

- Risk assets generated positive returns during the fourth quarter of 2015, despite disappointing performance among broad asset classes over the year in its entirety. Currency volatility, oil turbulence, emerging market woes, and the much-anticipated Fed rate hike in December dominated headlines throughout the quarter. For the quarter, US and Japanese equities registered the best returns, while Diversified Commodities and Master Limited Partnerships (MLPs) posted the weakest performance among major asset classes. For the one-year period ended December 31, 2015, Japanese equities were the strongest asset class, while Diversified Commodities, MLPs and Emerging Market equities trailed the field.
- The Dow Jones Industrial Average increased 7.7% in the fourth quarter. The NASDAQ Composite Index was up 8.8% for the quarter. The S&P 500 Index increased 7.0% for the quarter.
- All sectors within the S&P 500 generated positive returns in the fourth quarter of 2015. The top-performing sector was Materials, which was up 9.7%. Health Care and Technology both rose 9.2% and were also among the top-performing sectors. The biggest laggards were Energy, which had a modest increase of 0.2%, and Utilities, which rose 1.1%.
- Morgan Stanley & Co. economists expect U.S. real GDP will be 2.4% in 2015, 1.9% in 2016 and 1.8% in 2017. They forecast global GDP growth to be 3.1% in 2015, 3.3% in 2016 and 3.7% in 2017.
- Commodities registered negative returns in the fourth quarter; the Bloomberg Commodity Index fell 10.5%. For the quarter, gold was down 5.0%.
- For the fourth quarter of 2015, global mergers and acquisitions (M&A) deal volume was \$1.4 trillion, compared to \$881 billion for the fourth quarter of 2014. Global M&A activity increased to \$4.3 trillion in 2015 from \$3.3 trillion in 2014.

Source: FactSet, Bloomberg, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management GIC

Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material. This slide sourced from Market Performance section.

Capital Markets Overview: 4Q 2015

US Equity Markets

As of 4Q 2015

The Dow Jones Industrial Average increased 7.7% in the fourth quarter. The NASDAQ Composite Index was up 8.8% for the quarter. The S&P 500 Index increased 7.0% for the quarter.

All sectors within the S&P 500 generated positive returns in the fourth quarter of 2015. The top performing sector was Materials, which was up 9.7%. Health Care and Technology both rose 9.2% and were also among the top-performing sectors. The biggest laggards were Energy, which had a modest increase of 0.2%, and Utilities, which rose 1.1%.

Growth-style stocks of large-cap companies increased during the fourth quarter. The large-cap Russell 1000 Growth Index rose 7.3%. The Russell 1000 Index, a large-cap index, increased 6.5% for the quarter.

The Russell 1000 Value Index, also a large-cap index, increased 5.6% for the quarter. The Russell Midcap Growth Index rose 4.1% for the quarter. The Russell Midcap Index also increased 3.6% for the quarter. The Russell Midcap Value Index increased 3.1% for the quarter. The Russell 2000 Growth Index, a small-cap index, increased 4.3% for the quarter. The small-cap Russell 2000 Index rose 3.6% for the quarter. The Russell 2000 Value Index, also a small-cap index, increased 2.9% for the quarter.

Key US Stock Market Index Returns (%) for the Period Ending 12/31/2015				
INDEX IN USD	Quarter	12 Months	5-Years (Annualized)	7-Years (Annualized)
S&P 500	7.0%	1.4%	12.6%	14.8%
Dow Jones	7.7%	0.2%	11.3%	13.3%
Russell 2000	3.6%	-4.4%	9.2%	14.0%
Russell Midcap	3.6%	-2.4%	11.4%	17.1%
Russell 1000	6.5%	0.9%	12.4%	15.1%

Source: FactSet, Bloomberg, Morgan Stanley Wealth Management GIC

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Capital Markets Overview: 4Q 2015

Global Equity Markets

As of 4Q 2015

In the fourth quarter, emerging markets (EM) and global equities generated positive returns. The MSCI EAFE Index (a benchmark for developed markets) increased 4.7% for U.S.-currency investors and 6.4% for local-currency investors, as the U.S. dollar strengthened in relation to the currencies of many nations in the index. In the third quarter of 2015, the MSCI EAFE Index fell 10.2% in U.S. dollar terms and decreased 8.9% in local currency terms.

For the fourth quarter, the MSCI Emerging Markets Index increased 0.7% for U.S.-currency investors and 1.6% for local-currency investors, as the U.S. dollar strengthened in relation to emerging-market currencies. In the previous quarter, the MSCI Emerging Markets Index decreased 17.8% for U.S.-dollar-based investors and also fell 12.0% for local-currency investors.

The MSCI Europe Index increased 2.5% for U.S.-currency investors and 5.2% for local-currency investors during the fourth quarter of 2015. In the previous quarter, the MSCI Europe Index decreased 8.7% for U.S.-dollar-based investors and fell 7.0% for local-currency investors.

The S&P 500 Index increased 7.0% for the quarter.

Emerging economy equity market indices were also up in the fourth quarter. The MSCI BRIC (Brazil, Russia, India and China) Index rose 1.3% for the quarter in U.S. dollar terms and 2.0% in terms of local currencies. In comparison, for the fourth quarter, the MSCI EM Asia Index was up 3.5% in U.S. dollar terms and fell 2.9% in local terms.

Key Global Equity Market Index Returns (%) for the Period Ending 12/31/2015				
INDEX IN USD	Quarter	12 Months	5-Years (Annualized)	7-Years (Annualized)
MSCI EAFE	4.7%	-0.4%	4.1%	8.3%
MSCI EAFE Growth	6.7%	4.5%	5.0%	9.3%
MSCI EAFE Value	2.7%	-5.2%	3.1%	7.3%
MSCI Europe	2.5%	-2.3%	4.5%	8.6%
MSCI Japan	9.4%	9.9%	4.6%	6.4%
S&P 500	7.0%	1.4%	12.6%	14.8%
MSCI Emerging Markets	0.7%	-14.6%	-4.5%	7.8%

Source: FactSet, Bloomberg, Morgan Stanley Wealth Management GIC

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Capital Markets Overview: 4Q 2015

The US Bond Market

As of 4Q 2015

The bond market struggled in the fourth quarter of 2015. The Barclays U.S. Aggregate Bond Index, a general measure of the bond market, fell 0.6% for the quarter. Interest rates increased during the fourth quarter, as the yield on the 10-Year U.S. Treasury note rose to a quarter-end 2.27% from 2.04% at the end of the third quarter of 2015.

Riskier parts of the bond market such as U.S. High Yield debt declined in the fourth quarter. The Barclays Capital High Yield Index, a measure of lower-rated corporate bonds, fell 2.1%.

Mortgage-backed securities were flat during the fourth quarter. The Barclays Capital Mortgage Backed Index fell 0.1% for the quarter. During the fourth quarter, the municipal bond market increased. As a result, the Barclays Capital Muni Index generated a 1.5% return for the quarter.

Key US Bond Market Index Returns (%) for the Period Ending 12/31/2015				
INDEX IN USD	Quarter	12 Months	5-Years (Annualized)	7-Years (Annualized)
Barclays Capital US Aggregate	-0.6%	0.5%	3.2%	4.1%
Barclays Capital High Yield	-2.1%	-4.5%	5.0%	12.8%
Barclays Capital Government/Credit	-0.8%	0.3%	3.4%	4.0%
Barclays Capital Government	-0.9%	0.8%	2.9%	2.4%
Barclays Capital Intermediate Govt/Credit	-0.7%	1.1%	2.6%	3.4%
Barclays Capital Long Govt/Credit	-0.9%	-3.3%	7.0%	6.7%
Barclays Capital Mortgage Backed Securities	-0.1%	1.5%	3.0%	3.7%
Barclays Capital Muni	1.5%	3.3%	5.3%	6.0%

Source: FactSet, Bloomberg, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management GIC

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Asset Class Returns: Active Asset Class Rebalancing Is Important

As of December 31, 2015

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	10-Yrs ('06-'15)
EM Equities 34.0%	REITs 43.7%	EM Equities 40.2%	Managed Futures 13.6%	EM Equities 82.9%	MLPs ¹ 35.9%	MLPs ¹ 13.9%	REITs 29.8%	US Equities 32.4%	REITs 14.7%	EMD 1.8%	MLPs ¹ 8.7%
Commod. 21.4%	EM Equities 32.1%	Commod. 16.2%	DM Int'l Debt 11.7%	MLPs ¹ 76.4%	EM Equities 20.2%	Inflation-Linked 13.6%	High Yield 19.6%	MLPs ¹ 27.6%	US Equities 13.7%	US Equities 1.4%	US Equities 7.3%
REITs 15.4%	DM Int'l Equities 26.7%	MLPs ¹ 12.7%	US Debt 5.2%	High Yield 59.4%	REITs 20.0%	EMD 9.2%	EM Equities 19.1%	DM Int'l Equities 24.0%	Managed Futures 12.3%	DM Int'l Equities 0.9%	High Yield 7.3%
DM Int'l Equities 15.2%	US Equities 15.8%	Inflation-Linked 11.6%	Inflation-Linked -2.4%	REITs 41.3%	Commod. 16.8%	US Debt 7.8%	DM Int'l Equities 18.2%	Diversified Portfolio 15.1%	EMD 6.2%	US Debt 0.5%	EMD 6.7%
EMD 11.9%	Diversified Portfolio 15.5%	DM Int'l Debt 11.2%	EMD -9.7%	DM Int'l Equities 33.9%	US Equities 15.1%	DM Int'l Debt 6.0%	EMD 18.0%	Hedged Strategies 8.8%	US Debt 6.0%	REITs -0.4%	Diversified Portfolio 6.3%
Diversified Portfolio 8.6%	High Yield 13.7%	DM Int'l Equities 10.8%	Hedged Strategies -21.4%	US Equities 26.5%	High Yield 14.8%	High Yield 3.1%	US Equities 16.0%	High Yield 7.3%	MLPs ¹ 4.8%	Inflation-Linked -1.4%	REITs 5.2%
Hedged Strategies 6.9%	EMD 10.5%	Hedged Strategies 10.3%	Diversified Portfolio -25.7%	EMD 25.9%	Diversified Portfolio 12.7%	US Equities 2.1%	Diversified Portfolio 12.0%	REITs 2.2%	Diversified Portfolio 4.7%	Diversified Portfolio -1.9%	US Debt 4.8%
US Equities 4.9%	Hedged Strategies 10.4%	Diversified Portfolio 7.9%	High Yield -26.9%	Diversified Portfolio 23.6%	EMD 11.8%	Diversified Portfolio -2.1%	Inflation-Linked 7.0%	Managed Futures 0.7%	Inflation-Linked 3.6%	Managed Futures -2.0%	EM Equities 4.3%
High Yield 3.6%	DM Int'l Debt 6.6%	Managed Futures 7.6%	Commod. -35.6%	Commod. 18.9%	DM Int'l Equities 9.8%	Managed Futures -4.3%	MLPs ² 4.8%	EM Equities -1.9%	Hedged Strategies 3.4%	High Yield -2.7%	Inflation-Linked 3.9%
Managed Futures 2.8%	Managed Futures 5.6%	US Debt 7.0%	MLPs ¹ -36.9%	Hedged Strategies 11.5%	DM Int'l Debt 7.0%	Hedged Strategies -5.7%	Hedged Strategies 4.8%	US Debt -2.0%	High Yield 0.0%	Hedged Strategies -3.6%	DM Int'l Equities 3.8%
Inflation-Linked 2.8%	US Debt 4.3%	EMD 6.5%	US Equities -37.0%	Inflation-Linked 11.4%	US Debt 6.5%	REITs -8.1%	US Debt 4.2%	DM Int'l Debt -5.6%	EM Equities -1.4%	DM Int'l Debt -4.4%	DM Int'l Debt 3.2%
US Debt 2.4%	Commod. 2.1%	US Equities 5.5%	DM Int'l Equities -43.4%	US Debt 5.9%	Managed Futures 6.4%	DM Int'l Equities -12.2%	DM Int'l Debt 0.5%	EMD -8.3%	DM Int'l Debt -3.0%	EM Equities -13.5%	Hedged Strategies 0.1%
DM Int'l Debt -9.4%	Inflation-Linked 0.4%	High Yield 3.2%	REITs -48.9%	DM Int'l Debt 3.7%	Inflation-Linked 6.3%	Commod. -13.3%	Commod. -1.1%	Inflation-Linked -8.6%	DM Int'l Equities -4.5%	Commod. -24.7%	Managed Futures -0.2%
MLPs ¹ N/A	MLPs ¹ N/A	REITs -4.7%	EM Equities -53.6%	Managed Futures -4.8%	Hedged Strategies 4.2%	EM Equities -19.2%	Managed Futures -1.8%	Commod. -9.5%	Commod. -17.0%	MLPs ¹ -32.6%	Commod. -6.4%

Source: FactSet, Morgan Stanley Wealth Management GIC; Indices used: Barclays Capital US Aggregate for US Bonds. Citi 3M Treasury Bill for cash, Barclays US Aggregate for US Bonds, Barclays Global Majors ex US for DM Int'l Bonds, Barclays US TIPS for Inflation-linked securities, Barclays Global High Yield for global high yield, JP Morgan EMBI for EM Bonds, S&P 500 for US Stocks, MSCI EAFE IMI for Int'l Stocks, MSCI EM IMI for Emerging Market Stocks, FTSE EPRA/NAREIT Global for REITs, Bloomberg Commodity Index for commodities, HFRX Macro/CTA Index for Managed Futures, Alerian MLP Index for MLPs, and HFRX Global hedge Funds for hedged strategies. Diversified portfolio is comprised of 25% S&P 500, 10% Russell 2000, 15% MSCI EAFE, 5% MSCI EME, 25% Barclays US Aggregate, 5% 3 mo. T-Bills, 5% HFRX Global Hedge Funds, 5% Bloomberg Commodity Index, and 5% FTSE EPRA/NAREIT Global Index. (1) MLP data begins on January 1, 2007.

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US Equity Market Capitalization and Style Returns

As of December 31, 2015

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	10-Years ('06-'15) Ann.
Mid-Cap Value 12.6%	Small-Cap Value 23.5%	Large-Cap Growth 11.8%	Small-Cap Value -28.9%	Mid-Cap Growth 46.3%	Small-Cap Growth 29.1%	Large-Cap Growth 2.6%	Mid-Cap Value 18.5%	Small-Cap Growth 43.3%	Mid-Cap Value 14.7%	Large-Cap Growth 5.7%	Large-Cap Growth 8.5%
Mid-Cap Growth 12.1%	Large-Cap Value 22.2%	Mid-Cap Growth 11.4%	Large-Cap Value -36.8%	Large-Cap Growth 37.2%	Mid-Cap Growth 26.4%	S&P 500 2.1%	Small-Cap Value 18.1%	Mid-Cap Growth 35.7%	S&P 500 13.7%	S&P 500 1.4%	Mid-Cap Growth 8.2%
Large-Cap Value 7.1%	Mid-Cap Value 20.2%	Small-Cap Growth 7.0%	S&P 500 -37.0%	Small-Cap Growth 34.5%	Mid-Cap Value 24.8%	Large-Cap Value 0.4%	Large-Cap Value 17.5%	Small-Cap Value 34.5%	Large-Cap Value 13.5%	Mid-Cap Growth -0.2%	Small-Cap Growth 8.0%
Large-Cap Growth 5.3%	S&P 500 15.8%	S&P 500 5.5%	Large-Cap Growth -38.4%	Mid-Cap Value 34.2%	Small-Cap Value 24.5%	Mid-Cap Value -1.4%	S&P 500 16.0%	Large-Cap Growth 33.5%	Large-Cap Growth 13.0%	Small-Cap Growth -1.4%	Mid-Cap Value 7.6%
S&P 500 4.9%	Small-Cap Growth 13.3%	Large-Cap Value -0.2%	Mid-Cap Value -38.4%	S&P 500 26.5%	Large-Cap Growth 16.7%	Mid-Cap Growth -1.7%	Mid-Cap Growth 15.8%	Mid-Cap Value 33.5%	Mid-Cap Growth 11.9%	Large-Cap Value -3.8%	S&P 500 7.3%
Small-Cap Value 4.7%	Mid-Cap Growth 10.7%	Mid-Cap Value -1.4%	Small-Cap Growth -38.5%	Small-Cap Value 20.6%	Large-Cap Value 15.5%	Small-Cap Growth -2.9%	Large-Cap Growth 15.3%	Large-Cap Value 32.5%	Small-Cap Growth 5.6%	Mid-Cap Value -4.8%	Large-Cap Value 6.2%
Small-Cap Growth 4.2%	Large-Cap Growth 9.1%	Small-Cap Value -9.8%	Mid-Cap Growth -44.3%	Large-Cap Value 19.7%	S&P 500 15.1%	Small-Cap Value -5.5%	Small-Cap Growth 14.6%	S&P 500 32.4%	Small-Cap Value 4.2%	Small-Cap Value -7.5%	Small-Cap Value 5.6%

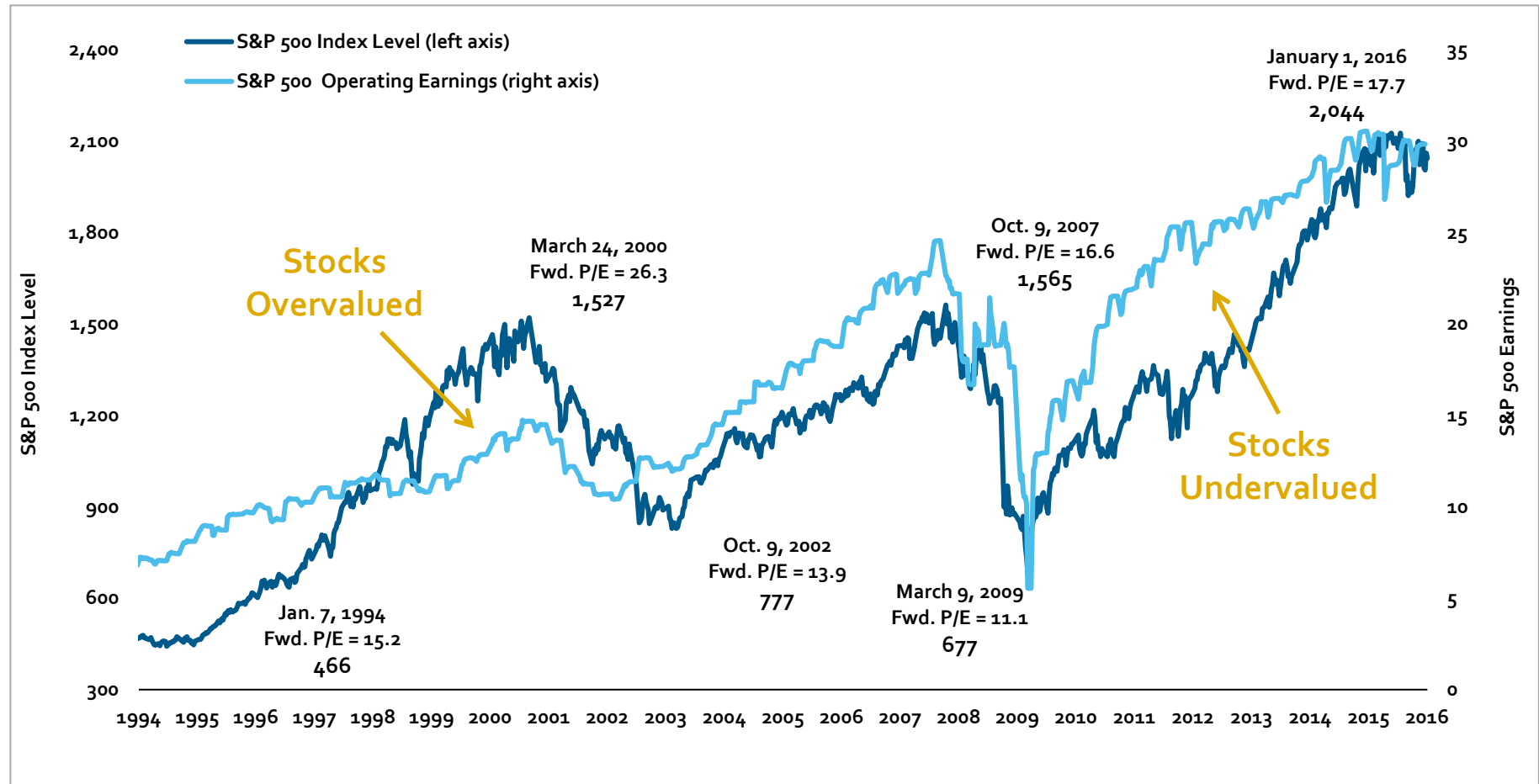
Source: FactSet, Morgan Stanley Wealth Management GIC. Indices used for this analysis include: Russell Midcap Value, Russell 2000 Value, Russell 1000 Value, Russell Midcap Growth, Russell 2000 Growth, Russell 1000 Growth, and S&P 500

Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

Earnings Remain Supportive of US Equities

S&P 500 Index Level Vs. S&P 500 Operating Earnings

As of January 1, 2016; Operating earnings as of December 18, 2015



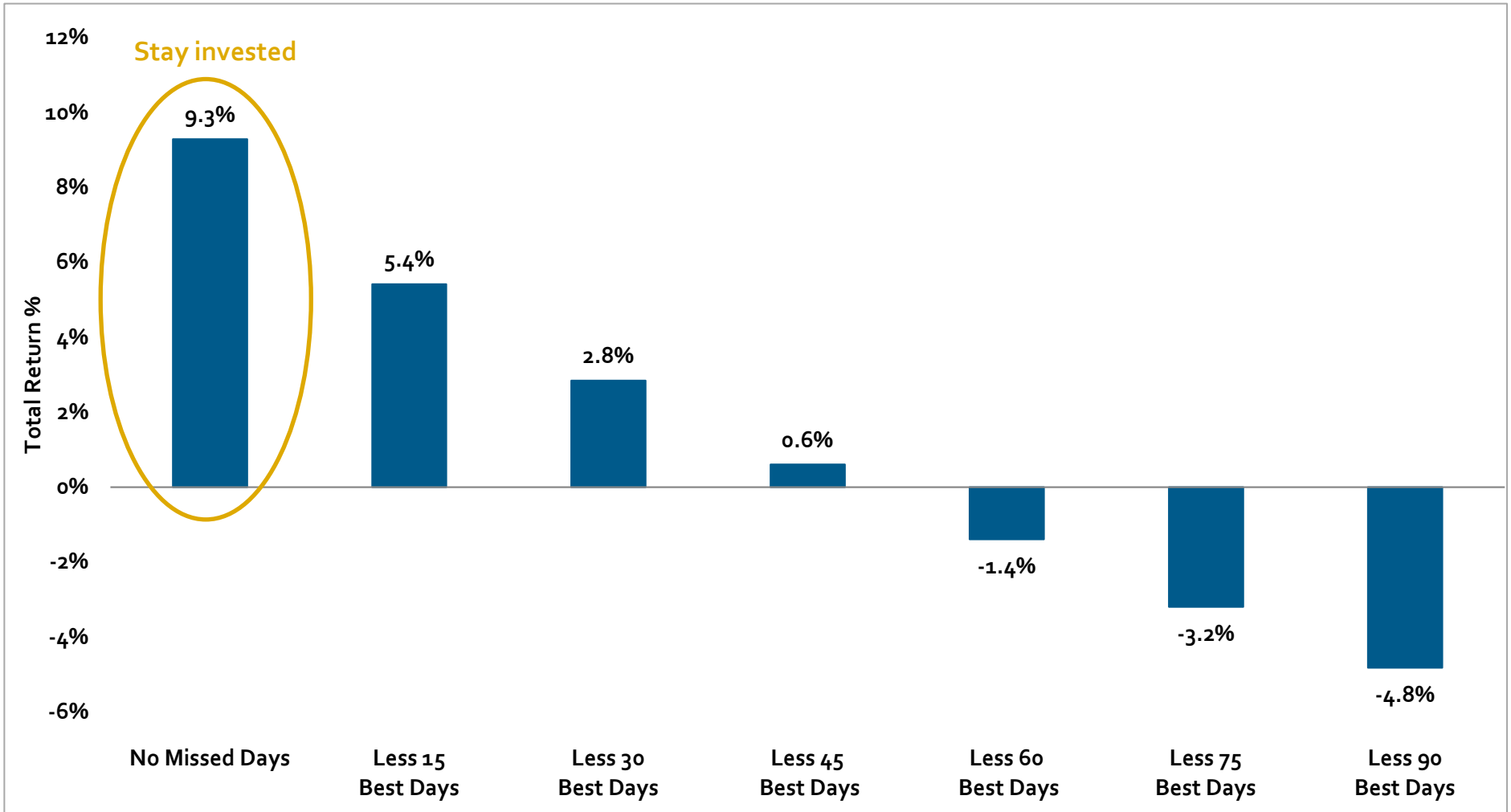
Source: Bloomberg. Stocks Overvalued = equity performance outpaces earnings performance. Stocks Undervalued = earnings performance outpaces equity performance. Fairly Valued = stock performance and earnings performance are in line with one another.

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Market Timing Is a Flawed and Costly Strategy – Don't Try It

Annualized Total Returns of S&P 500 (1990-2015)

As of December 31, 2015



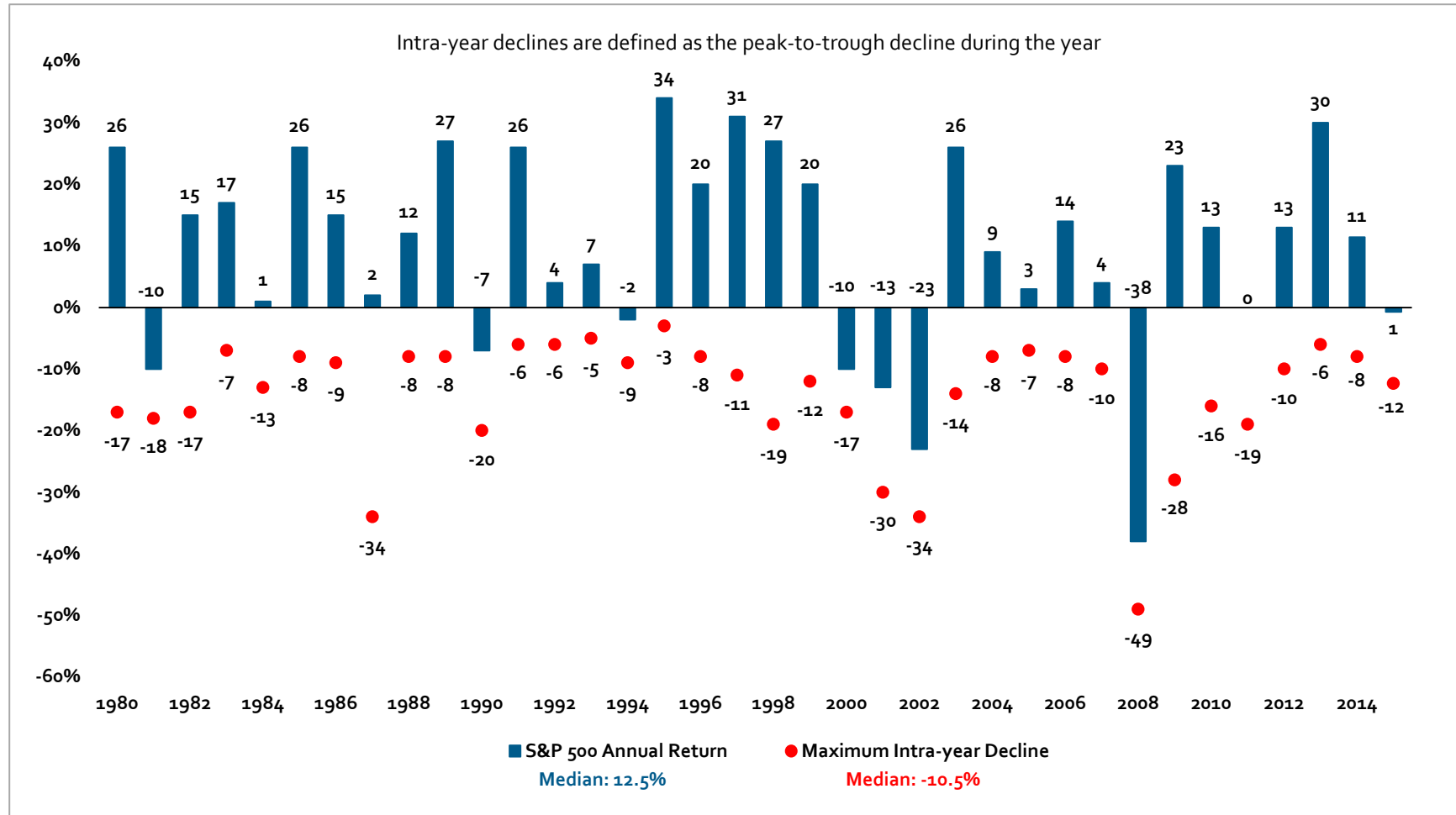
Source: FactSet, Morgan Stanley Wealth Management GIC. Note: Best days are defined as the days with the highest single-day returns in the S&P 500.

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Corrections Have Been Frequent and Have Presented Opportunities

S&P 500 Annual Returns and Intra-Year Declines

As of December 31, 2015



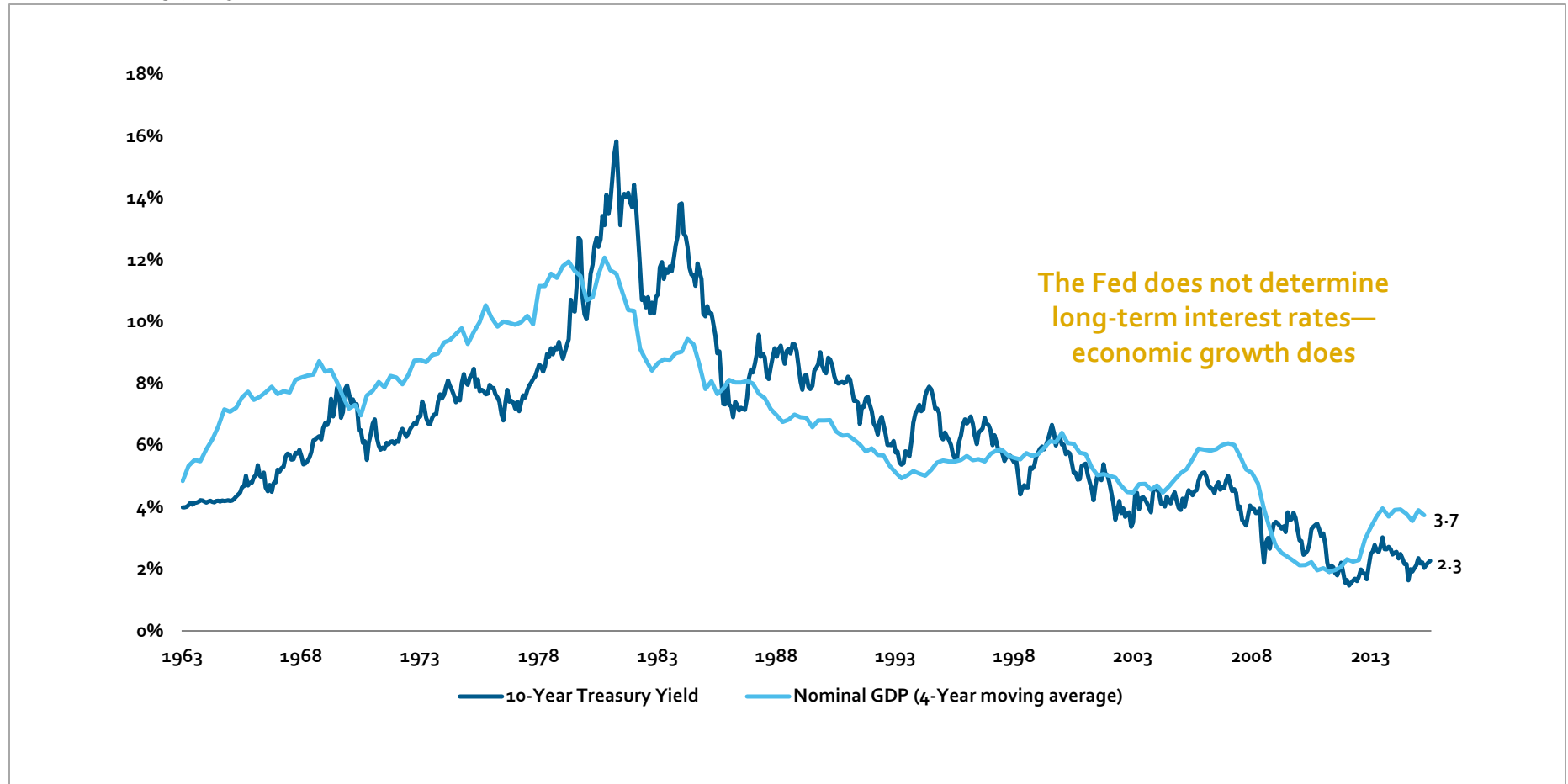
Source: Bloomberg, Morgan Stanley Wealth Management GIC

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Interest Rates Have Been Falling for Past 30 Years, Closely Following Nominal GDP Growth

US 10-year Treasury Yield Vs. Nominal GDP

As of December 31, 2015



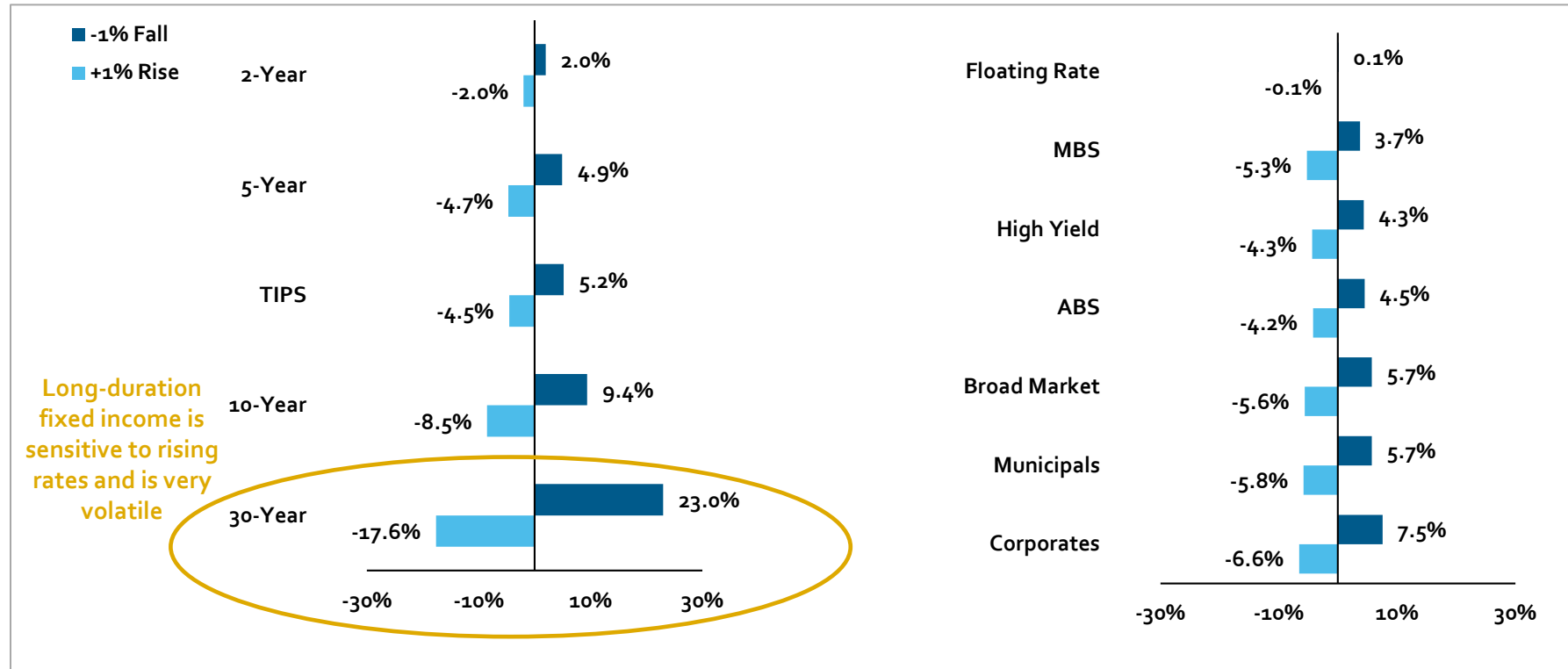
Source: Bloomberg, Morgan Stanley Wealth Management GIC

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Long-Duration¹ Bonds Can Be Risky When Rates Rise

Total Return Impact of a 1% Rise/Fall in Interest Rates

As of December 31, 2015



Source: FactSet, Morgan Stanley Wealth Management GIC. The following Barclays indices were used for the sectors above : US Aggregate for Broad Market, US Aggregate Securitized – MBS Index for MBS, US Corporates for Corporate, Muni Bond 10-year Index for Municipals, Corporate High Yield Index for High Yield, US TIPS Index for TIPS, FRN (BBB) for Floating Rate, US Convertibles Composite for Convertibles and Barclays ABS + CMBS for ABS. Barclays US Treasury benchmark indices used for US Treasury data. (1) For more information about the risks to Duration please refer to the Risk Considerations section at the end of this material.

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Historical Fixed Income Returns

High yield & EMD have provided equity-like returns in past 10 years. This is unlikely to continue.

As of December 31, 2015

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	10-Yrs ('06-'15) Ann.
EMD 11.9%	High Yield 12.2%	Inflation-Linked 11.6%	Gov't 9.6%	High Yield 57.7%	High Yield 15.1%	Inflation-Linked 13.6%	High Yield 19.2%	High Yield 6.5%	Muni 9.1%	Muni 3.3%	High Yield 7.6%
High Yield 5.6%	EMD 10.5%	Gov't 10.7%	Int'l 5.7%	EMD 25.9%	EMD 11.8%	Muni 10.7%	EMD 18.0%	Int'l 0.9%	Int'l 8.4%	EMD 1.8%	EMD 6.7%
Int'l 5.4%	Gov't 6.3%	Short Term 7.3%	US Agg 5.2%	Muni 12.9%	US Agg 6.5%	EMD 9.2%	Inflation-Linked 7.0%	Short Term 0.3%	EMD 6.2%	Int'l 1.2%	Muni 4.7%
Muni 3.5%	Muni 4.8%	US Agg 7.0%	Short Term 5.1%	Inflation-Linked 11.4%	Inflation-Linked 6.3%	US Agg 7.8%	Muni 6.8%	US Agg -2.0%	US Agg 6.0%	Short Term 1.0%	US Agg 4.5%
Inflation-Linked 2.8%	US Agg 4.3%	EMD 6.5%	Inflation-Linked -2.4%	US Agg 5.9%	Gov't 5.9%	Gov't 6.2%	Int'l 6.6%	Muni -2.6%	Inflation-Linked 3.6%	US Agg 0.5%	Int'l 4.2%
US Agg 2.4%	Short Term 4.2%	Int'l 4.3%	Muni -2.5%	Short Term 4.6%	Short Term 4.1%	Int'l 3.9%	US Agg 4.2%	Gov't -4.3%	High Yield 2.6%	High Yield -0.7%	Inflation-Linked 3.9%
Short Term 1.4%	Int'l 3.2%	Muni 3.4%	EMD -9.7%	Int'l 4.4%	Int'l 3.3%	High Yield 3.6%	Short Term 2.2%	EMD -8.3%	Short Term 1.4%	Inflation-Linked -1.4%	Short Term 3.3%
Gov't -6.1%	Inflation-Linked 0.4%	High Yield 2.0%	High Yield -25.2%	Gov't 3.3%	Muni 2.4%	Short Term 3.1%	Gov't 2.0%	Inflation-Linked -8.6%	Gov't -1.0%	Gov't -3.7%	Gov't 3.4%

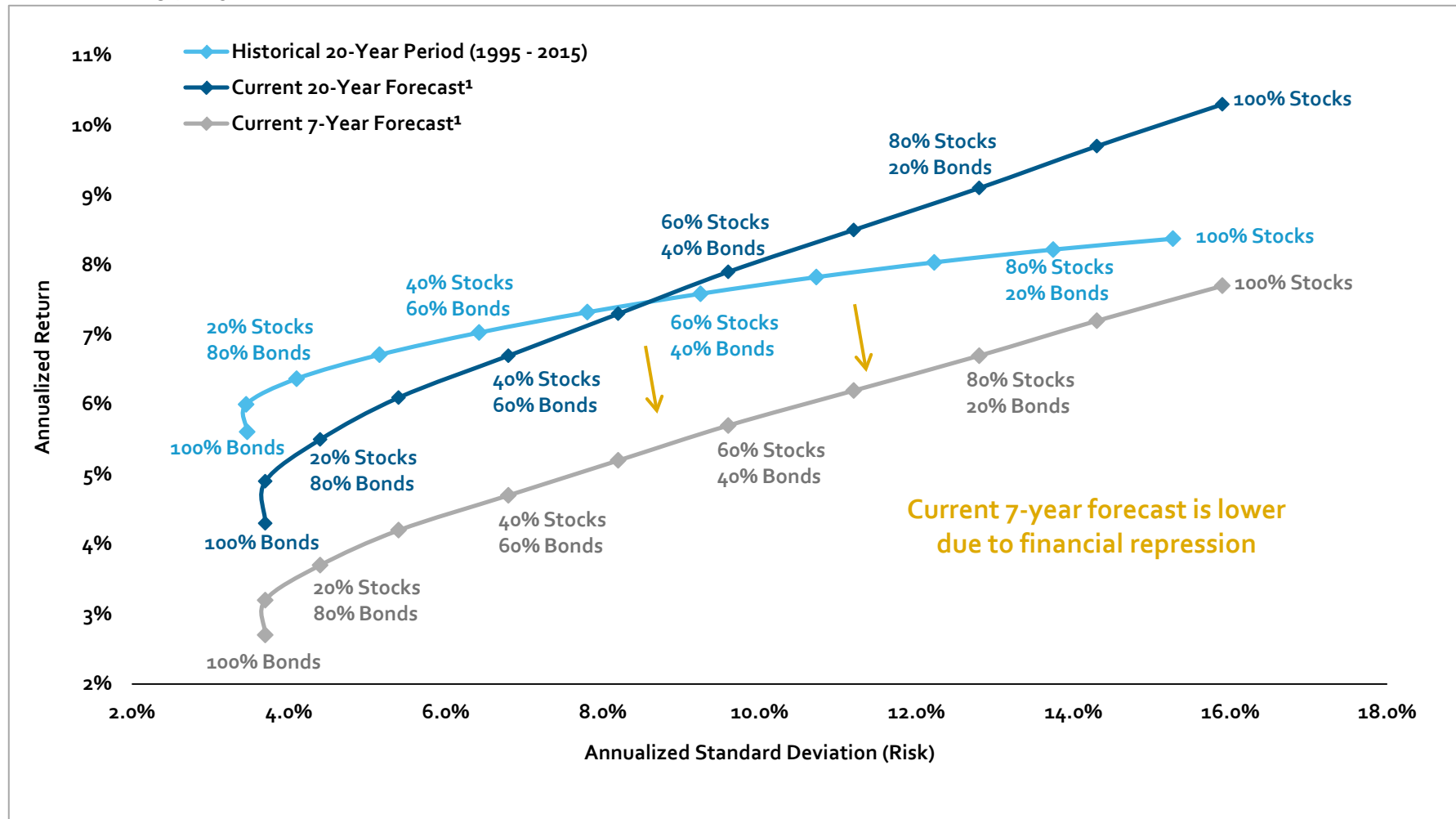
GIC recommends staying selective in fixed income; favor shorter-duration credit.

Source: FactSet, Morgan Stanley Wealth Management GIC. Indices used for this analysis include: Barclays US Gov/Credit Float Adj. 1-5Y for Short Duration, Barclays US Aggregate for US Agg, Barclays Global Aggregate ex US for International, Barclays US TIPS for Inflation-linked securities, Barclays Global High Yield for High Yield with a currency hedge, JP Morgan EMBI for EM debt, Barclays Municipals for Municipals, and Barclays Global Aggregate Government for government bonds.

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Diversification Benefits Have Waned: Forecasted Efficient Frontiers

As of December 31, 2015



Source: FactSet, Morgan Stanley Wealth Management GIC. Stocks are represented by the MSCI ACWI, and bonds are represented by the Barclays US Aggregate Index. (1) Forecasts are based on capital market assumptions as published in the GIC's *Inputs for GIC Asset Allocation: Annual Update of Capital Market Assumptions*, March 31, 2015. Standard deviation (volatility) is a measure of the dispersion of a set of data from its mean.

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VERMONT STATE COLLEGES
PORTFOLIO SUMMARY - ASSET ALLOCATION
DECEMBER 31, 2015

	Large Cap Growth	Large Cap Value	Small / Mid Growth	Small / Mid Value	International	International Emerging	Domestic and High Yield Fixed	International Fixed	Alternatives	Cash	Total	% of Total Portfolio
CG Advisor												
I shares Russell 1000 Growth	\$ 2,567,081										\$ 2,567,081	11.3%
I shares Russell 1000 Value		\$ 2,968,094									\$ 2,968,094	13.1%
I shares Trust S&P Mid Cap 400			\$ 26,719								\$ 26,719	0.1%
iShares Russell 2000 ETF			\$ 172,252	\$ 172,252							\$ 344,505	1.5%
William Blair Int Growth					\$ 1,373,139						\$ 1,373,139	6.1%
Oppenheimer Developing Mkts						\$ 504,848					\$ 504,848	2.2%
Dreyfus Standish GLB Fix Inc I								\$ 744,003			\$ 744,003	3.3%
Loomis Bond Fund							\$ 1,026,255				\$ 1,026,255	4.5%
Ishares Dj US Real Estate									\$ 343,116		\$ 343,116	1.5%
Vanguard REIT ETF									\$ 358,147		\$ 358,147	1.6%
Vanguard Sh Tm Invt Gr Inv							\$ 1,072,826				\$ 1,072,826	4.7%
Vanguard Total Bd Mkt Indx Inv							\$ 2,236,111				\$ 2,236,111	9.9%
Lazard Emerging Markets						\$ 467,161					\$ 467,161	2.1%
Money Funds										\$ 230,360	\$ 230,360	1.0%
Ironwood HF									\$ 502,150		\$ 502,150	2.2%
Skybridge HF									\$ 477,911		\$ 477,911	2.1%
Anchor				\$ 703,006							\$ 703,006	3.1%
Delaware					\$ 1,124,006						\$ 1,124,006	5.0%
Clearbridge	\$ 2,145,289	\$ -	\$ -	\$ -	\$ -						\$ 2,145,289	9.5%
Seix							\$ 1,363,102				\$ 1,363,102	6.0%
Thomas Partners	\$ 467,009	\$ 1,131,479	\$ 38,656	\$ 164,028	\$ 288,355						\$ 2,089,528	9.2%
Total Fund	\$ 5,179,380	\$ 4,099,573	\$ 237,628	\$ 1,039,286	\$ 2,785,499	\$ 972,009	\$ 5,698,294	\$ 744,003	\$ 1,681,324	\$ 230,360	\$ 22,667,355	100.00%
Allocation	22.85%	18.09%	1.05%	4.58%	12.29%	4.29%	25.14%	3.28%	7.42%	1.02%	100.00%	
<i>Strategic Target Allocation a/o 6.30.11</i>												
<i>By Percent</i>	12.00%	12.00%	6.00%	6.00%	17.00%	7.00%	28.00%	4.00%	8.00%	0.00%	100.00%	
<i>By Dollar</i>	\$ 2,720,083	\$ 2,720,083	\$ 1,360,041	\$ 1,360,041	\$ 3,853,450	\$ 1,586,715	\$ 6,346,859	\$ 906,694	\$ 1,813,388	\$ -	\$ 22,667,355	
Current Tactical Allocation	18%	18%	4%	4%	12%	4%	28%	4%	8%	0%	100%	
Operations Account		\$ 106,893.68				\$ 13,706.17 (money funds)					\$ 120,600	
Total All Accounts											\$ 22,787,955	
Basic Asset Allocation:			Stocks	63%								
			Alternatives	7%								
			Fixed Income/Cash	29%								

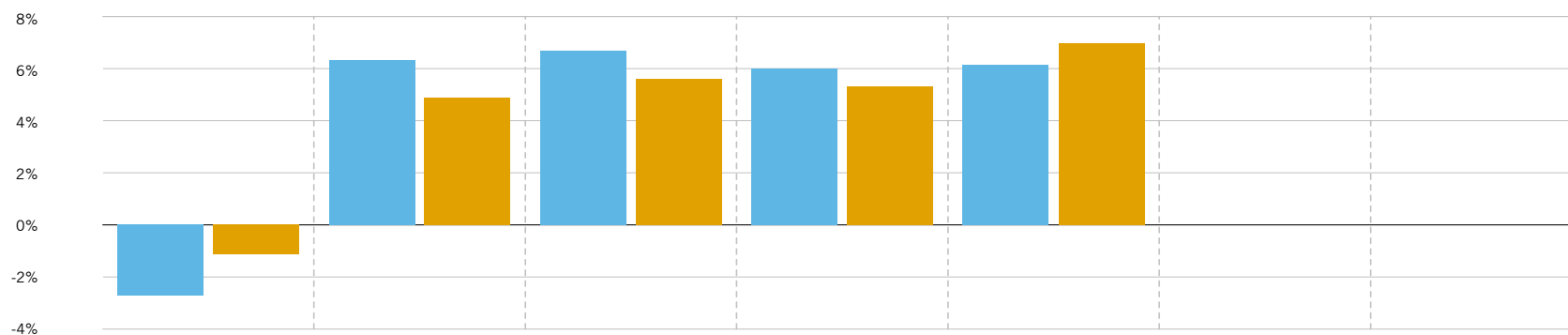
The above summary/prices/quote/statistics have been obtained from sources we believe to be reliable, but we cannot guarantee its accuracy or completeness. Past performance is no guarantee of future results. The information provided in this summary is for illustrative purposes only and does not represent an official statement by the firm. You must refer to your monthly statements for an accurate and complete record of your transactions, holdings & balances. Best efforts have been made to reflect the true values of the figures, but we can not guarantee the accuracy or completeness due to the element of human error. This is not a binding or legal document. This information is based upon the market value of your account as of the close of business on 12.31.15 and is subject to daily market fluctuation. Morgan Stanley Smith Barney, LLC. Member SIPC. Prepared by: John O. Myhre, Vice President, Financial Advisor

TIME WEIGHTED PERFORMANCE SUMMARY

VSC Managed Accounts

As of December 31, 2015 | Reporting Currency: USD

RETURN % (NET OF FEES) VS. BENCHMARKS



	Year to Date 12/31/14 - 12/31/15	Previous Year 12/31/13 - 12/31/14	Last 3 Years 12/31/12 - 12/31/15	Last 5 Years 12/31/10 - 12/31/15	Performance Inception 12/26/02 - 12/31/15
Beginning Total Value	\$24,005,403.01	\$22,381,676.49	\$19,266,836.34	\$18,757,551.76	\$3,085,318.46
Net Contributions/Withdrawals	-697,555.80	207,233.89	-695,571.79	-2,050,477.32	8,425,631.06
Investment Earnings	-620,989.77	1,416,492.63	4,115,592.89	5,979,783.00	11,175,907.92
Ending Total Value	\$22,686,857.44	\$24,005,403.01	\$22,686,857.44	\$22,686,857.44	\$22,686,857.44
Return % (Net of Fees)	-2.72	6.32	6.69	5.99	6.15
65% MSCI AC World/35% Barclays Agg	-1.13	4.87	5.61	5.31	6.98

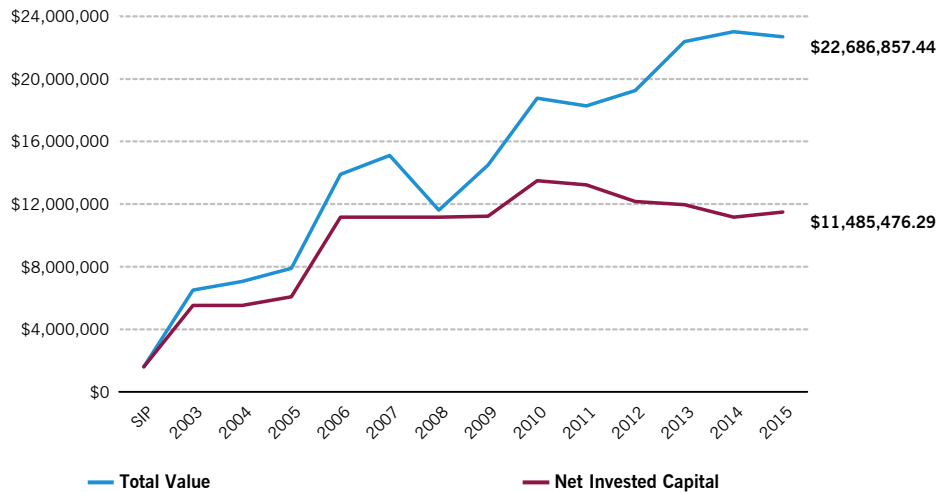
The investment returns shown on this page are time-weighted measurements which exclude the effect of the timing and amount of your contributions and withdrawals.

INVESTMENT SUMMARY DOLLAR WEIGHTED RETURNS - ADVISORY ASSETS ONLY

VSC Managed Accounts

As of December 31, 2015 | Reporting Currency: USD

TOTAL VALUE VS. NET INVESTED CAPITAL



Does not include Performance Ineligible Assets.

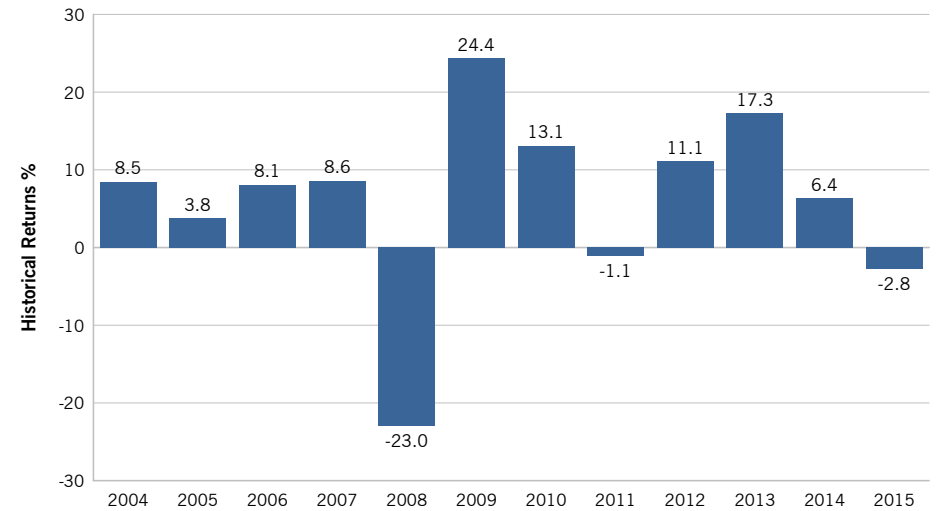
CHANGE IN VALUE AND RETURN % (NET OF FEES)

	Year to Date 12/31/14-12/31/15	Last 3 Years 12/31/12-12/31/15	Performance Inception 02/27/03-12/31/15
Beginning Total Value	\$23,011,947.60	\$19,266,288.40	\$1,601,430.00
Net Contributions/Withdrawals	326,189.66	-672,985.99	9,884,046.29
Investment Earnings	-651,279.82	4,093,555.04	11,201,381.16
Ending Total Value	\$22,686,857.44	\$22,686,857.44	\$22,686,857.44
DOLLAR WEIGHTED RATE OF RETURN			
Return % (Net of Fees)	-2.81%	6.79%	6.09%

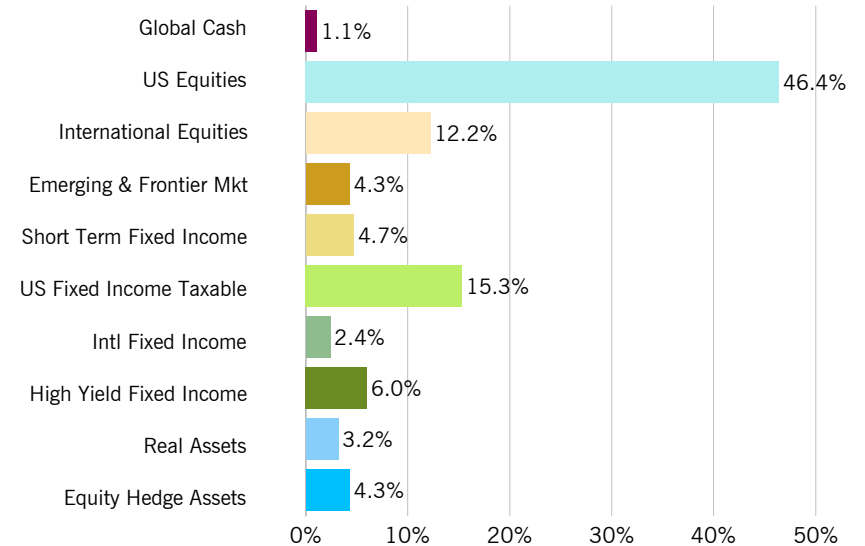
Does not include Performance Ineligible Assets.

Inception dates for advisory account(s) reflect the most recent advisory program or discretion change.

PERIOD RETURN % (NET OF FEES)



ASSET ALLOCATION

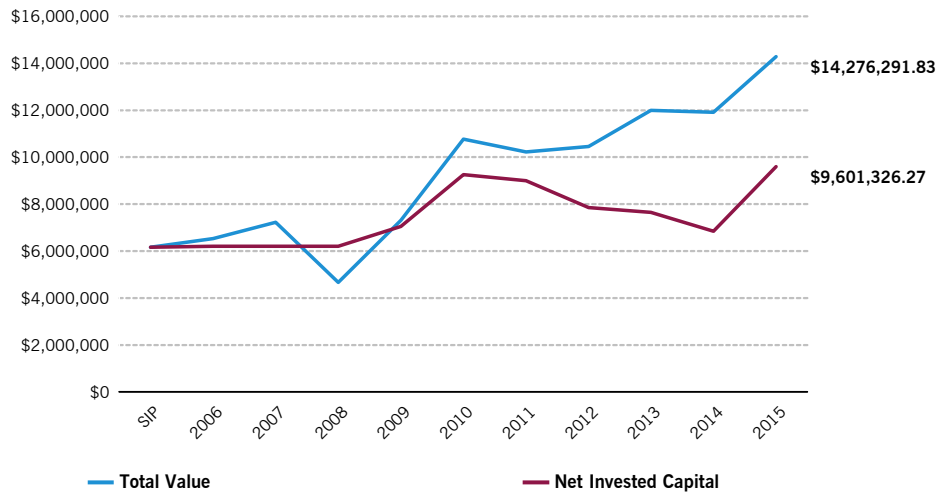


INVESTMENT SUMMARY DOLLAR WEIGHTED RETURNS - ADVISORY ASSETS ONLY

Vsc Managed Accounts-Vermont State Colleges 383-108872

As of December 31, 2015 | Reporting Currency: USD

TOTAL VALUE VS. NET INVESTED CAPITAL



Does not include Performance Ineligible Assets.

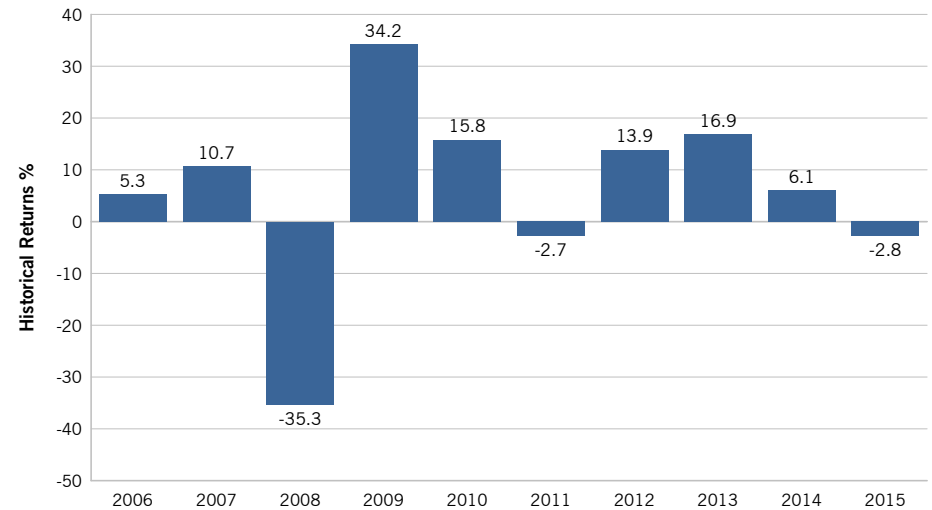
CHANGE IN VALUE AND RETURN % (NET OF FEES)

	Year to Date 12/31/14-12/31/15	Last 3 Years 12/31/12-12/31/15	Performance Inception 04/21/06-12/31/15
Beginning Total Value	\$11,919,262.13	\$10,453,408.27	\$6,166,191.00
Net Contributions/Withdrawals	2,750,732.18	1,751,556.53	3,435,135.27
Investment Earnings	-393,702.48	2,071,327.03	4,674,965.56
Ending Total Value	\$14,276,291.83	\$14,276,291.83	\$14,276,291.83
DOLLAR WEIGHTED RATE OF RETURN			
Return % (Net of Fees)	-2.87%	6.19%	5.19%

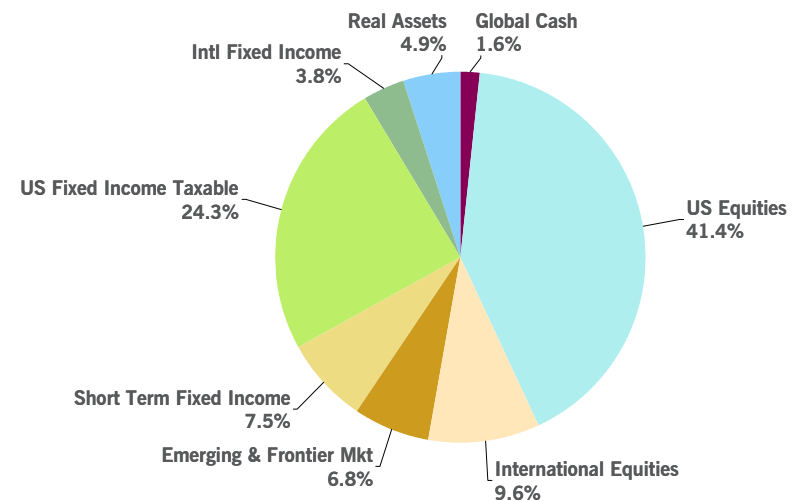
Does not include Performance Ineligible Assets.

Inception dates for advisory account(s) reflect the most recent advisory program or discretion change.

PERIOD RETURN % (NET OF FEES)



ASSET ALLOCATION

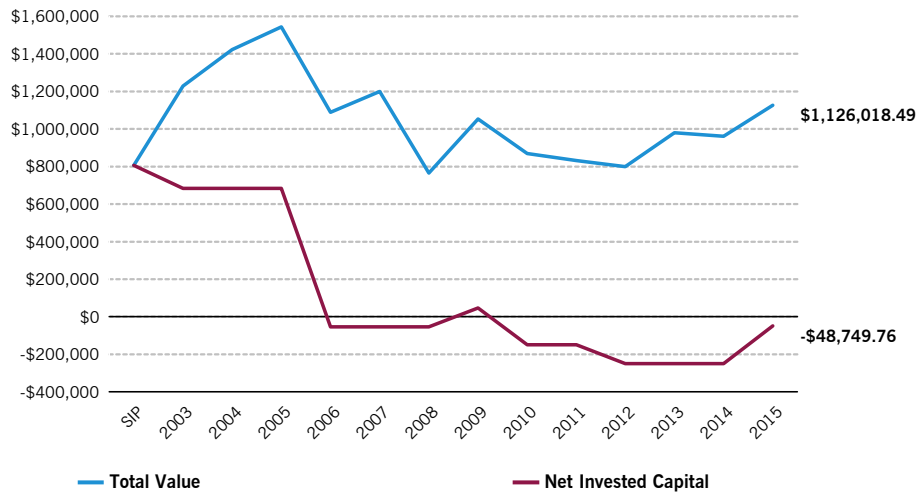


INVESTMENT SUMMARY DOLLAR WEIGHTED RETURNS - ADVISORY ASSETS ONLY

Vsc Managed Accounts-Vermont State Colleges 383-108874

As of December 31, 2015 | Reporting Currency: USD

TOTAL VALUE VS. NET INVESTED CAPITAL



Does not include Performance Ineligible Assets.

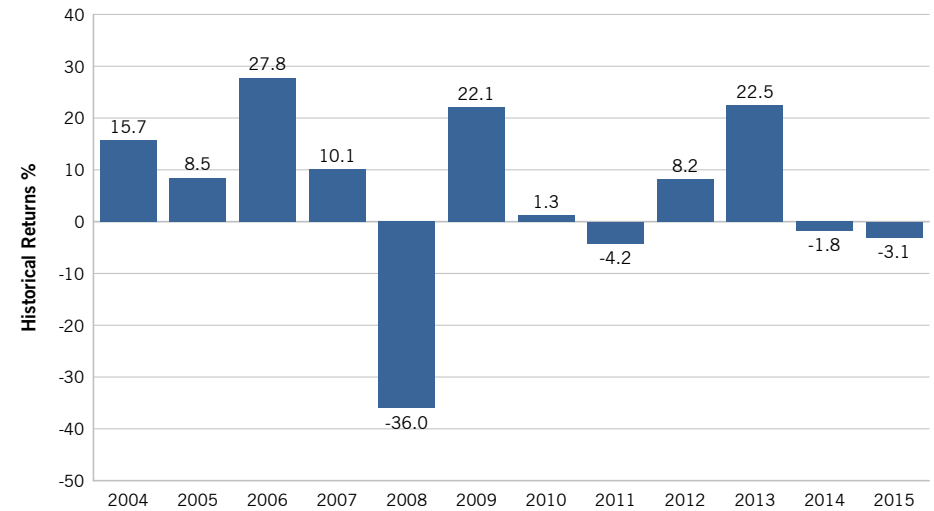
CHANGE IN VALUE AND RETURN % (NET OF FEES)

	Year to Date 12/31/14-12/31/15	Last 3 Years 12/31/12-12/31/15	Performance Inception 02/27/03-12/31/15
Beginning Total Value	\$960,870.10	\$799,263.62	\$806,021.00
Net Contributions/Withdrawals	200,000.00	200,000.00	-854,770.76
Investment Earnings	-34,851.60	126,754.87	1,174,768.25
Ending Total Value	\$1,126,018.49	\$1,126,018.49	\$1,126,018.49
DOLLAR WEIGHTED RATE OF RETURN			
Return % (Net of Fees)	-3.19%	4.79%	14.80%

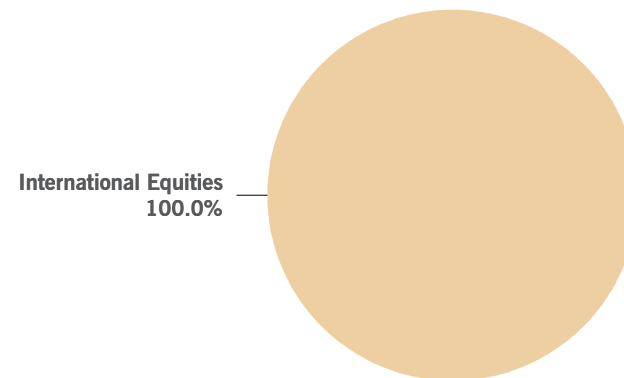
Does not include Performance Ineligible Assets.

Inception dates for advisory account(s) reflect the most recent advisory program or discretion change.

PERIOD RETURN % (NET OF FEES)



ASSET ALLOCATION

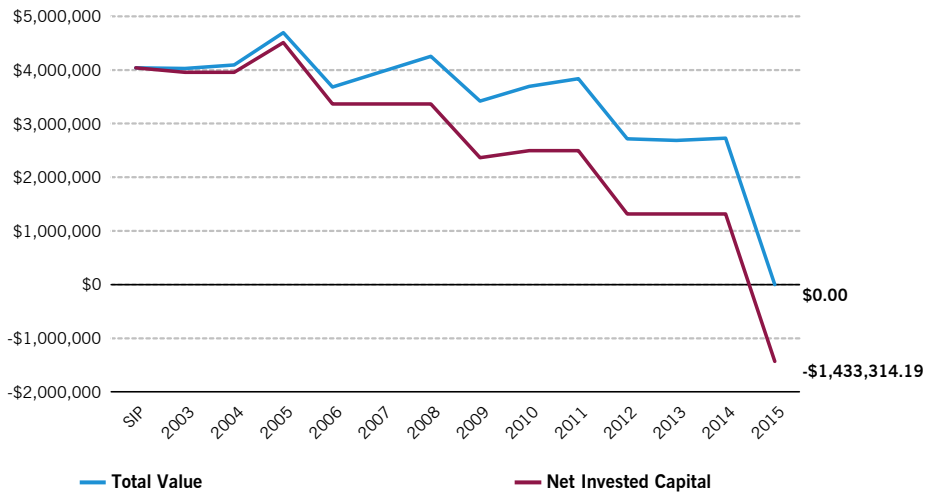


INVESTMENT SUMMARY DOLLAR WEIGHTED RETURNS - ADVISORY ASSETS ONLY

Vsc Managed Accounts-Vermont State Colleges 383-108920

As of December 31, 2015 | Reporting Currency: USD

TOTAL VALUE VS. NET INVESTED CAPITAL



Does not include Performance Ineligible Assets.

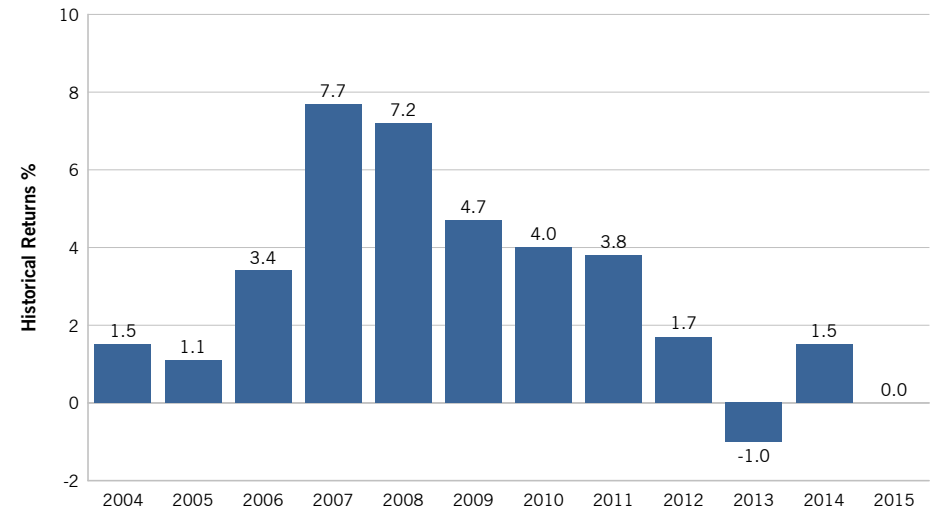
CHANGE IN VALUE AND RETURN % (NET OF FEES)

	Year to Date 12/31/14-12/31/15	Last 3 Years 12/31/12-12/31/15	Performance Inception 02/28/03-12/31/15
Beginning Total Value	-	-	-
Net Contributions/Withdrawals	-	-	-
Investment Earnings	-	-	-
Ending Total Value	-	-	-
DOLLAR WEIGHTED RATE OF RETURN			
Return % (Net of Fees)	-	-	-

Does not include Performance Ineligible Assets.

Inception dates for advisory account(s) reflect the most recent advisory program or discretion change.

PERIOD RETURN % (NET OF FEES)



ASSET ALLOCATION

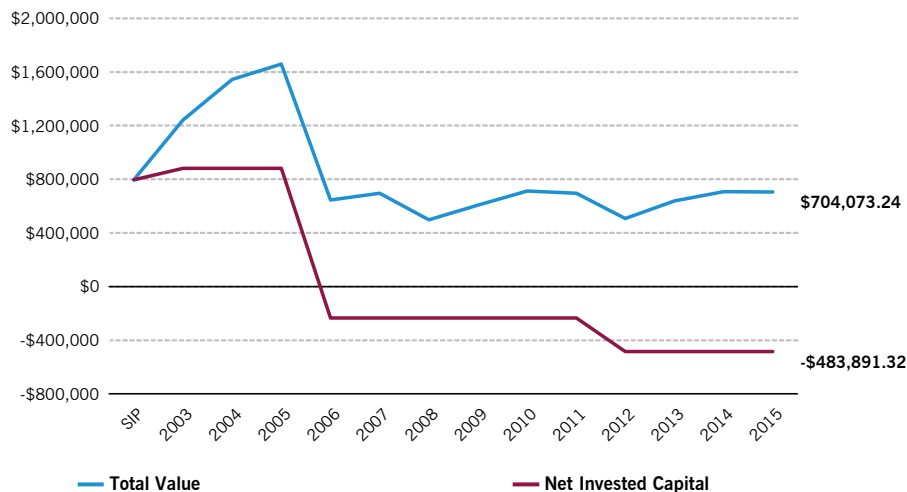
This exhibit is not applicable for this portfolio

INVESTMENT SUMMARY DOLLAR WEIGHTED RETURNS - ADVISORY ASSETS ONLY

Vsc Managed Accounts-Vermont State Colleges 383-108918

As of December 31, 2015 | Reporting Currency: USD

TOTAL VALUE VS. NET INVESTED CAPITAL



Does not include Performance Ineligible Assets.

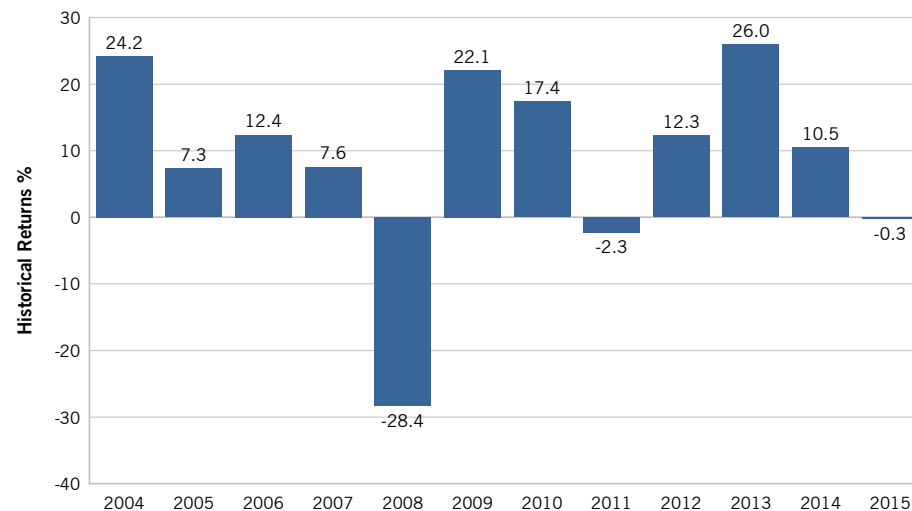
CHANGE IN VALUE AND RETURN % (NET OF FEES)

	Year to Date 12/31/14-12/31/15	Last 3 Years 12/31/12-12/31/15	Performance Inception 02/27/03-12/31/15
Beginning Total Value	\$706,809.13	\$507,423.16	\$795,409.00
Net Contributions/Withdrawals	0.00	0.00	-1,279,300.32
Investment Earnings	-2,735.89	196,650.08	1,187,964.56
Ending Total Value	\$704,073.24	\$704,073.24	\$704,073.24
DOLLAR WEIGHTED RATE OF RETURN			
Return % (Net of Fees)	-0.39%	11.54%	15.58%

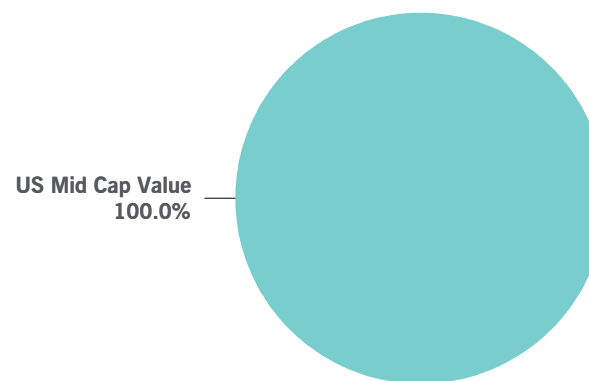
Does not include Performance Ineligible Assets.

Inception dates for advisory account(s) reflect the most recent advisory program or discretion change.

PERIOD RETURN % (NET OF FEES)



ASSET ALLOCATION

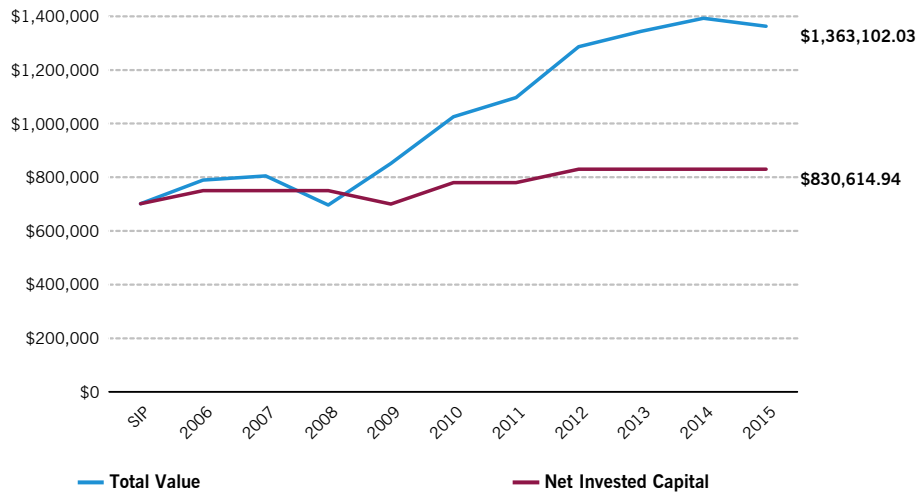


INVESTMENT SUMMARY DOLLAR WEIGHTED RETURNS - ADVISORY ASSETS ONLY

Vsc Managed Accounts-Vermont State Colleges 383-110534

As of December 31, 2015 | Reporting Currency: USD

TOTAL VALUE VS. NET INVESTED CAPITAL



Does not include Performance Ineligible Assets.

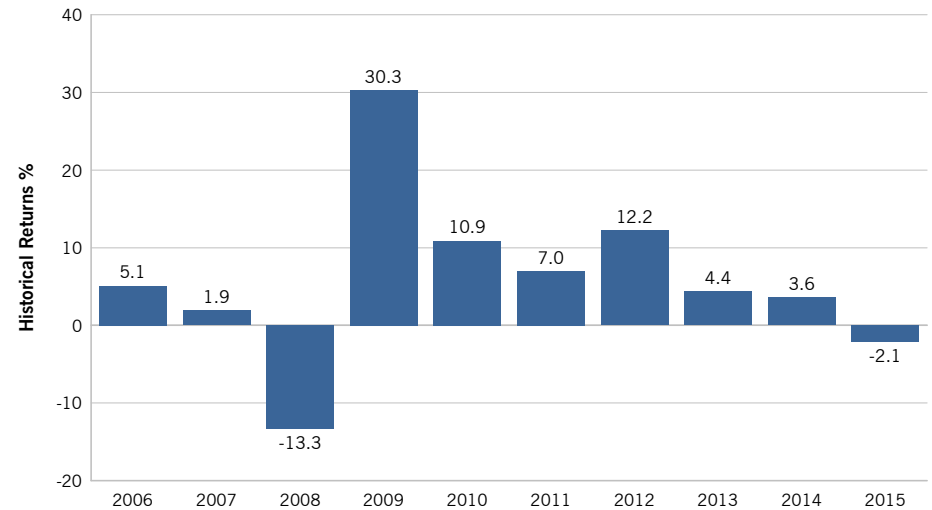
CHANGE IN VALUE AND RETURN % (NET OF FEES)

	Year to Date 12/31/14-12/31/15	Last 3 Years 12/31/12-12/31/15	Performance Inception 04/21/06-12/31/15
Beginning Total Value	\$1,392,411.38	\$1,286,407.82	\$700,952.00
Net Contributions/Withdrawals	-27.00	-27.00	129,662.94
Investment Earnings	-29,282.35	76,721.21	532,487.09
Ending Total Value	\$1,363,102.03	\$1,363,102.03	\$1,363,102.03
DOLLAR WEIGHTED RATE OF RETURN			
Return % (Net of Fees)	-2.10%	1.95%	5.54%

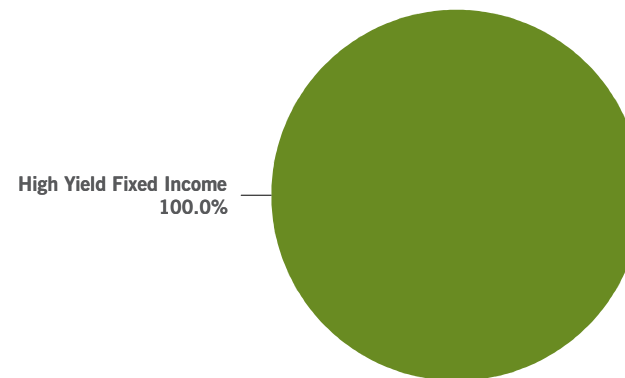
Does not include Performance Ineligible Assets.

Inception dates for advisory account(s) reflect the most recent advisory program or discretion change.

PERIOD RETURN % (NET OF FEES)



ASSET ALLOCATION

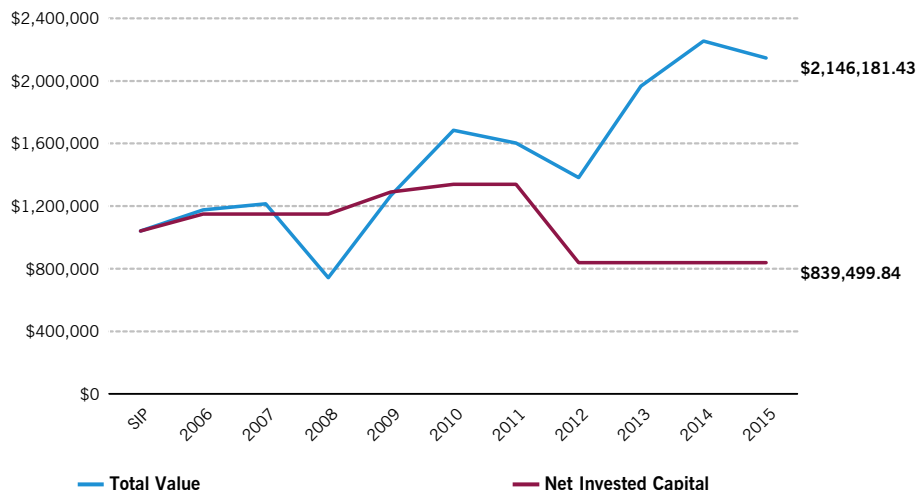


INVESTMENT SUMMARY DOLLAR WEIGHTED RETURNS - ADVISORY ASSETS ONLY

Vsc Managed Accounts-Vermont State Colleges 383-110533

As of December 31, 2015 | Reporting Currency: USD

TOTAL VALUE VS. NET INVESTED CAPITAL



Does not include Performance Ineligible Assets.

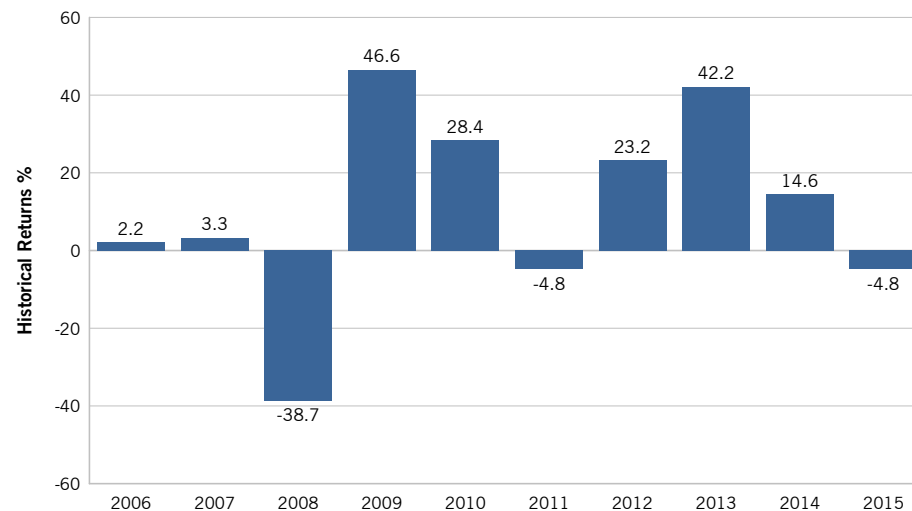
CHANGE IN VALUE AND RETURN % (NET OF FEES)

	Year to Date 12/31/14-12/31/15	Last 3 Years 12/31/12-12/31/15	Performance Inception 04/21/06-12/31/15
Beginning Total Value	\$2,255,524.47	\$1,382,751.56	\$1,040,220.00
Net Contributions/Withdrawals	0.00	0.00	-200,720.16
Investment Earnings	-109,343.04	763,429.87	1,306,681.59
Ending Total Value	\$2,146,181.43	\$2,146,181.43	\$2,146,181.43
DOLLAR WEIGHTED RATE OF RETURN			
Return % (Net of Fees)	-4.85%	15.78%	8.38%

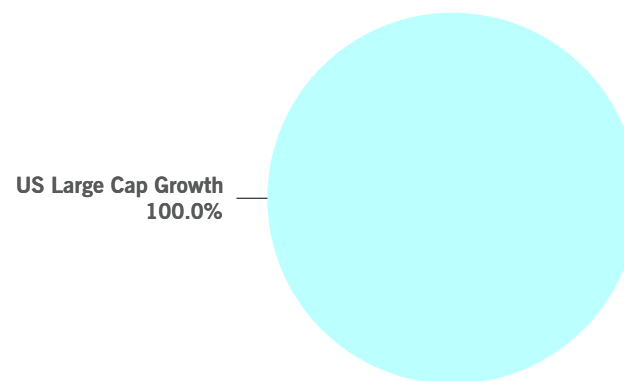
Does not include Performance Ineligible Assets.

Inception dates for advisory account(s) reflect the most recent advisory program or discretion change.

PERIOD RETURN % (NET OF FEES)



ASSET ALLOCATION

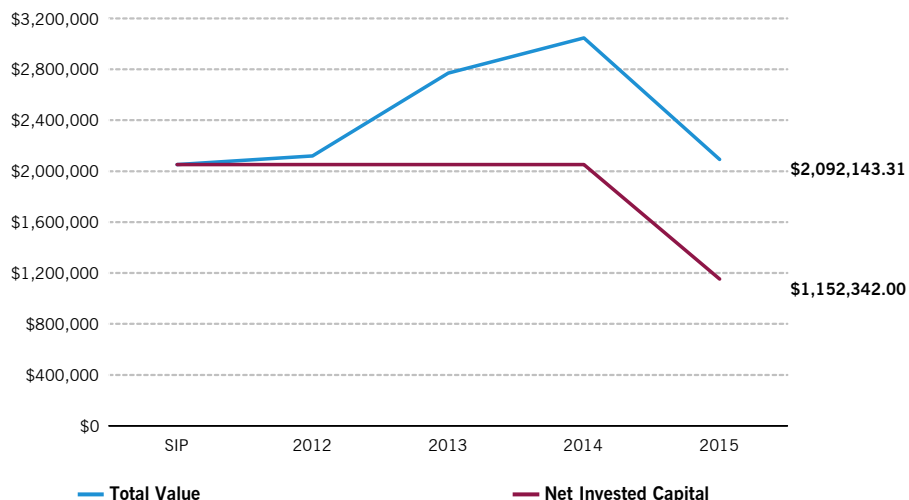


INVESTMENT SUMMARY DOLLAR WEIGHTED RETURNS - ADVISORY ASSETS ONLY

Vsc Managed Accounts-Vermont State Colleges 383-122584

As of December 31, 2015 | Reporting Currency: USD

TOTAL VALUE VS. NET INVESTED CAPITAL



Does not include Performance Ineligible Assets.

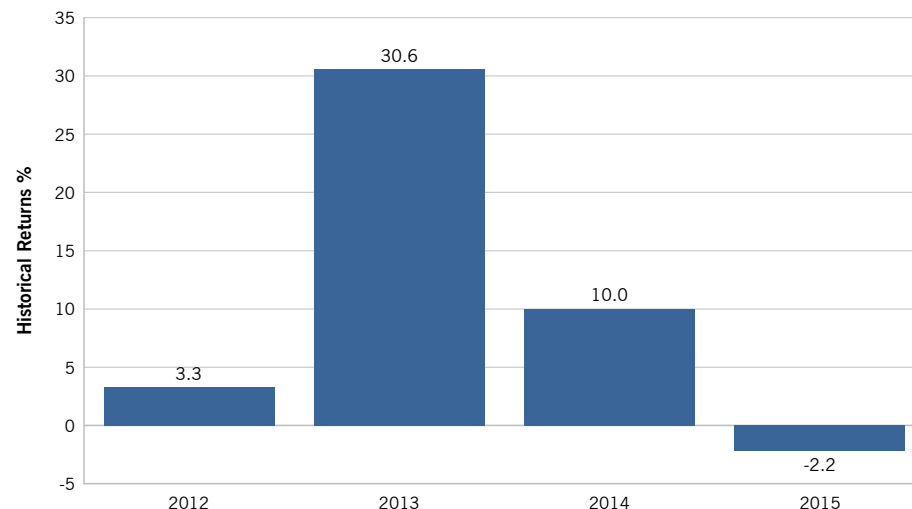
CHANGE IN VALUE AND RETURN % (NET OF FEES)

	Year to Date 12/31/14-12/31/15	Last 3 Years 12/31/12-12/31/15	Performance Inception 03/13/12-12/31/15
Beginning Total Value	\$3,046,981.55	\$2,120,032.83	\$2,052,342.00
Net Contributions/Withdrawals	-900,000.00	-900,000.00	-900,000.00
Investment Earnings	-54,838.24	872,110.48	939,801.31
Ending Total Value	\$2,092,143.31	\$2,092,143.31	\$2,092,143.31
DOLLAR WEIGHTED RATE OF RETURN			
Return % (Net of Fees)	-2.24%	13.11%	11.03%

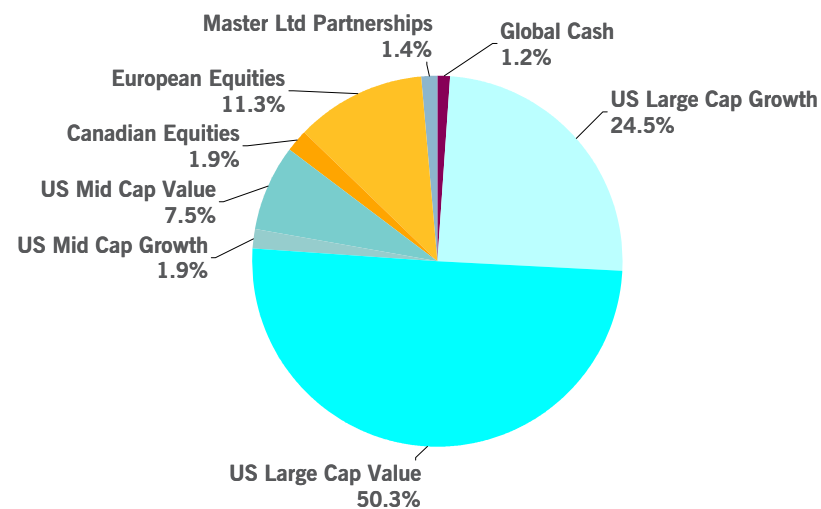
Does not include Performance Ineligible Assets.

Inception dates for advisory account(s) reflect the most recent advisory program or discretion change.

PERIOD RETURN % (NET OF FEES)



ASSET ALLOCATION

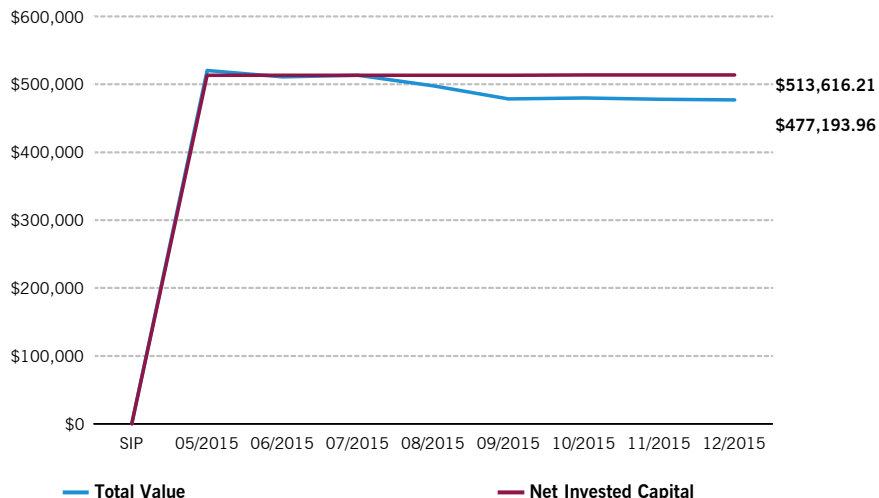


INVESTMENT SUMMARY DOLLAR WEIGHTED RETURNS - ADVISORY ASSETS ONLY

Vsc Managed Accounts-Skybridge 383-020919

As of December 31, 2015 | Reporting Currency: USD

TOTAL VALUE VS. NET INVESTED CAPITAL



Does not include Performance Ineligible Assets.

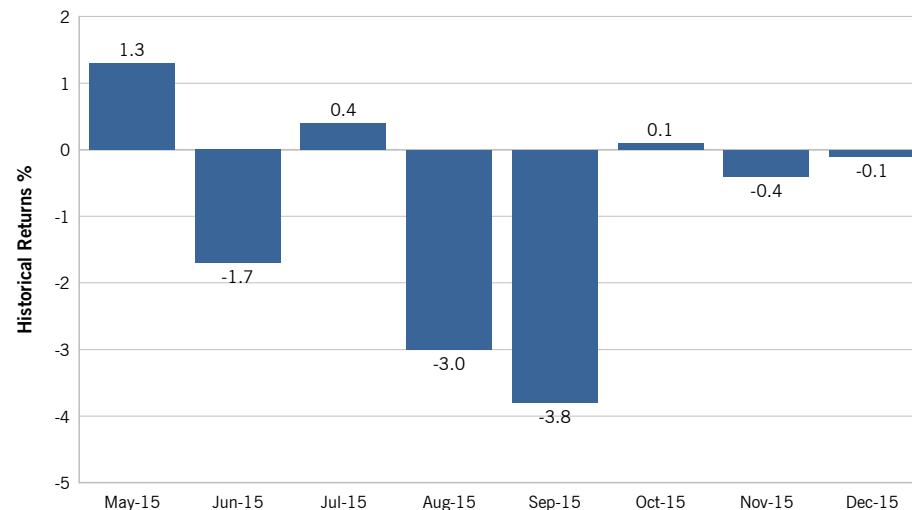
CHANGE IN VALUE AND RETURN % (NET OF FEES)

	Year to Date 12/31/14-12/31/15	Last 3 Years 12/31/12-12/31/15	Performance Inception 05/21/15-12/31/15
Beginning Total Value	-	-	\$0.00
Net Contributions/Withdrawals	-	-	513,616.21
Investment Earnings	-	-	-36,422.25
Ending Total Value	-	-	\$477,193.96
DOLLAR WEIGHTED RATE OF RETURN			
Return % (Net of Fees)	-	-	-7.19%

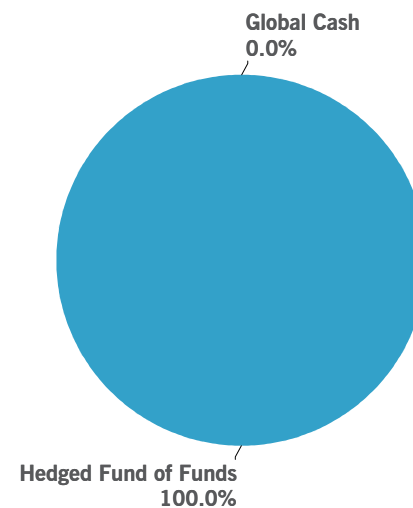
Does not include Performance Ineligible Assets.

Inception dates for advisory account(s) reflect the most recent advisory program or discretion change.

PERIOD RETURN % (NET OF FEES)



ASSET ALLOCATION

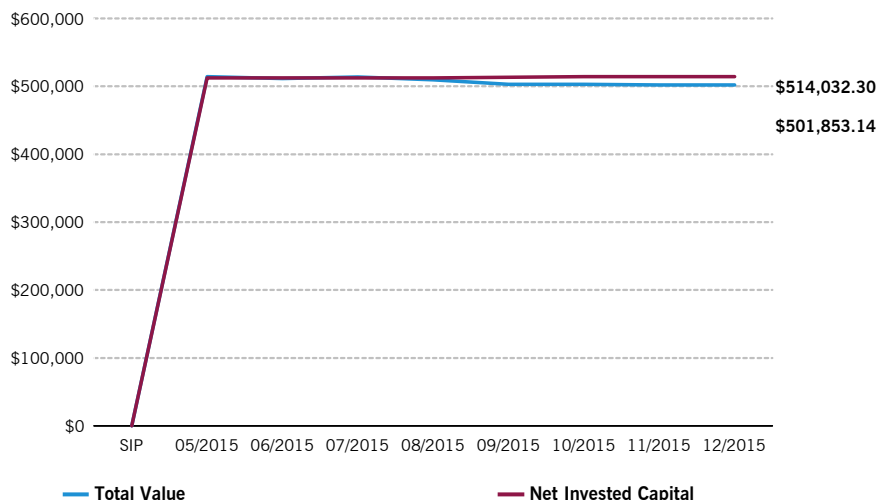


INVESTMENT SUMMARY DOLLAR WEIGHTED RETURNS - ADVISORY ASSETS ONLY

Vsc Managed Accounts-Ironwood 383-020918

As of December 31, 2015 | Reporting Currency: USD

TOTAL VALUE VS. NET INVESTED CAPITAL



Does not include Performance Ineligible Assets.

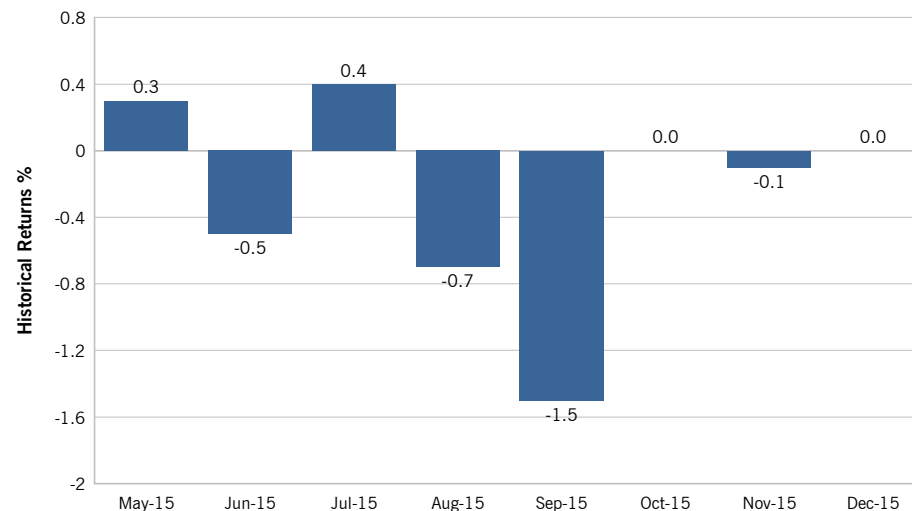
CHANGE IN VALUE AND RETURN % (NET OF FEES)

	Year to Date 12/31/14-12/31/15	Last 3 Years 12/31/12-12/31/15	Performance Inception 05/21/15-12/31/15
Beginning Total Value	-	-	\$0.00
Net Contributions/Withdrawals	-	-	514,032.30
Investment Earnings	-	-	-12,179.15
Ending Total Value	-	-	\$501,853.14
DOLLAR WEIGHTED RATE OF RETURN			
Return % (Net of Fees)	-	-	-2.37%

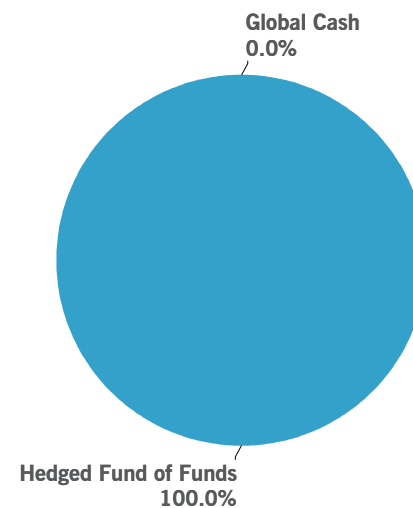
Does not include Performance Ineligible Assets.

Inception dates for advisory account(s) reflect the most recent advisory program or discretion change.

PERIOD RETURN % (NET OF FEES)



ASSET ALLOCATION

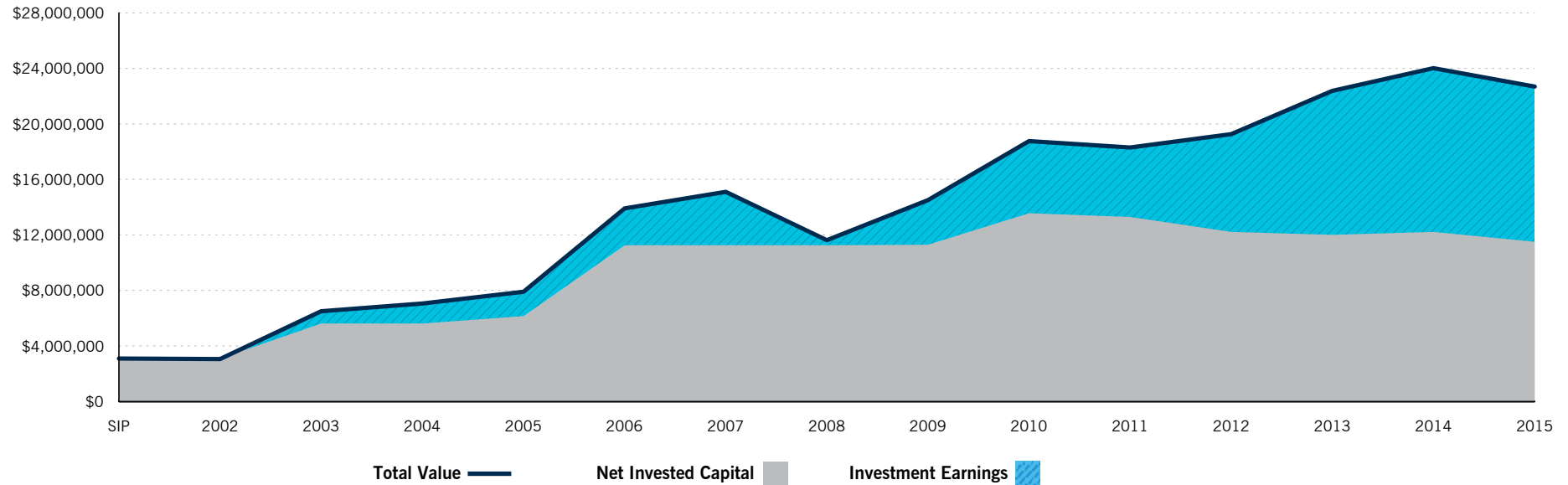


CHANGE IN PORTFOLIO VALUE

VSC Managed Accounts

As of Dec 31, 2015 | Reporting Currency: USD

CHANGE IN VALUE SINCE PERFORMANCE INCEPTION



CHANGE IN VALUE

From 12/26/2002 to 12/31/2015

Year	Beginning Total Value	Net Contributions / Withdrawals	Investment Earnings	Ending Total Value
2015	\$24,005,403.01	-\$697,555.80	-\$620,989.77	\$22,686,857.44
2014	\$22,381,676.49	\$207,233.89	\$1,416,492.63	\$24,005,403.01
2013	\$19,266,836.34	-\$205,249.88	\$3,320,090.03	\$22,381,676.49
2012	\$18,286,020.39	-\$1,094,699.44	\$2,075,515.39	\$19,266,836.34
2011	\$18,757,551.76	-\$260,206.09	-\$211,325.28	\$18,286,020.39
2010	\$14,504,195.61	\$2,266,702.06	\$1,986,654.09	\$18,757,551.76
2009	\$11,622,448.89	\$45,000.00	\$2,836,746.72	\$14,504,195.61

Does not include Performance Ineligible Assets.

CHANGE IN PORTFOLIO VALUE

VSC Managed Accounts

As of Dec 31, 2015 | Reporting Currency: USD

CHANGE IN VALUE (CONTINUED)

Year	Beginning Total Value	Net Contributions / Withdrawals	Investment Earnings	Ending Total Value
2008	\$15,109,750.44	\$0.00	-\$3,487,301.55	\$11,622,448.89
2007	\$13,909,484.11	\$0.00	\$1,200,266.33	\$15,109,750.44
2006	\$7,895,229.31	\$5,088,653.06	\$925,601.74	\$13,909,484.11
2005	\$7,058,416.52	\$550,000.00	\$286,812.79	\$7,895,229.31
2004	\$6,502,854.31	-\$944.47	\$556,506.68	\$7,058,416.52
2003	\$3,060,073.50	\$2,526,697.73	\$916,083.08	\$6,502,854.31
2002	\$3,085,318.46	\$0.00	-\$25,244.96	\$3,060,073.50
Performance Inception: 12/26/02				

Does not include Performance Ineligible Assets.

DISCLOSURES

Explanatory Notes and Disclosures: This document is designed to assist you and your Financial Advisor in understanding portfolio positions, composition and subsets thereof. It is designed solely for your individual use, is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. Do not take action relying on this information without confirming its accuracy and completeness. Please read carefully all accompanying notes and disclosures provided in this Document.

For convenience purposes, your Financial Advisor may have assigned a designated name for this Document. The list of the accounts covered in this document is noted herein and may not include all of your accounts with us. Furthermore, the information included in this document may not include all asset classes/securities held by you at the firm. Please review this document carefully and discuss any questions you may have with your Financial Advisor. If you do not understand an entry, suspect an error, or want more details on current values or other information, contact your Financial Advisor.

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The information in this document is approximate and subject to updating, correction and other changes. We are not obligated to notify you if information changes. Although the statements of fact and data in this document have been obtained from, and are based upon sources that we believe to be reliable, we do not guarantee their accuracy, or timeliness, and any such information may be incomplete or condensed. Percentage values shown in this document are subject to rounding, which may impact total values. The values of securities and other investments not actively traded may be estimated or may not be available.

This information is provided for informational purposes only and should not be used for tax preparation. The information reported on your Form(s) 1099 supersedes the information provided in this report and should be exclusively relied upon for tax preparation. Morgan Stanley, its affiliates and its employees are not in the business of providing tax or legal advice. This Document and any tax-related statements are not intended or written to be used, and cannot be used or relied upon, by any taxpayer for the purpose of avoiding tax penalties. Tax-related statements, if any, may have been written in connection with promotion or marketing of the transaction(s) or matters addressed by these materials, to the extent allowed by applicable law. Any taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor. Morgan Stanley Smith Barney LLC, member SIPC.

Asset Classification: We classify assets based on general characteristics such as: income generation, underlying capital structure, or exposure to certain market sectors. As many assets contain characteristics of more than one asset class, allocations may be under or over inclusive. Asset allocations may differ from product allocations.

The Other asset class contains securities that are not included in the various asset class classifications. This can include, but is not limited to, non-traditional investments such as some Equity Unit Trusts, Index Options and Structured Investments issued outside of Morgan Stanley. Additionally, investments for which we are unable to procure market data to properly classify them will appear in the Other category.

Additional information about your Floating Rate Notes: For floating rate securities, the estimated accrued interest and estimated annual income are based on the current floating coupon rate and may not reflect historic rates within the accrual period.

Performance: Performance results are annualized for time periods greater than one year and include all cash and cash equivalents, realized and unrealized capital gains and losses, and dividends, interest and income. The investment results depicted herein represent historical performance. As a result of recent market activity, current performance may vary from the figures shown. Please contact your Financial Advisor for up to date performance information. Past performance is not a guarantee of future results.

Market values used for performance calculation do not include performance ineligible assets and thus may differ from asset allocation market values. Common examples of performance ineligible assets include life insurance, some annuities and assets held externally. Unless otherwise indicated, performance is a composite calculation on the entire portfolio and may include brokerage and investment advisory accounts, as well as assets for different accounts included in this report. The accounts included in the composite may have (or have had) different investment objectives and strategies, been subject to different restrictions, and incurred different types of fees, markups, commissions and other charges. Accordingly, performance results may blend the performance of assets and strategies that may not have been available in all of the accounts at all times during the reporting period. In addition, accounts in the composite may have changed from brokerage to advisory or vice versa. Accounts may also have moved from one advisory program to another (including from a discretionary program to a non-discretionary program).

Performance information may cover the full history of the account(s) or just the performance of an account(s) since the inception of the current program(s). Performance results on individual accounts will vary and may differ from the composite returns. Your Financial Advisor can provide you with individual account portfolio composition and performance information. For investment advisory accounts, please see the Morgan Stanley Smith Barney Form ADV Part 2 or applicable disclosure brochure. For brokerage accounts, please speak to your Financial Advisor for more information on commissions and other account fees and expenses. Performance inception date does not necessarily correspond to the account opening date. Where multiple accounts are included in performance

VSC Managed Accounts

Prepared on January 28, 2016 | Reporting Currency: USD

calculations, the inception date is the oldest performance inception. Performance data may not be available for all periods as some accounts included in performance may have more recent performance inception dates. Consequently, the actual performance for a group of accounts may differ from reported performance. Please ask your Financial Advisor for the performance inception date for each account.

Indices: Benchmark indices and blends included in this material are for informational purposes only, are provided solely as a comparison tool and may not reflect the underlying composition and/or investment objective(s) associated with the account(s). In some circumstances, the benchmark index may not be an appropriate benchmark for use with the specific composite portfolio. For instance, an index may not take into consideration certain changes that may have occurred in the portfolio since the inception of the account(s), (e.g., changes from a brokerage to an advisory account or from one advisory program to another, asset class changes, or index changes for individual managers). The volatility of the index used for comparison may be materially different from that of the performance shown. Indices are unmanaged and not available for direct investment. Index returns do not take into account fees or other charges. Such fees and charges would reduce performance. Please see the Benchmark Definitions section of this material for additional information on the indices used for comparison.

The GIC Chartbook Disclosures:

ASSET ALLOCATION MODELS & INSURANCE PRODUCTS DISCLOSURES

GLOBAL INVESTMENT COMMITTEE (GIC) ASSET ALLOCATION MODELS

The Asset Allocation Models are created by Morgan Stanley Wealth Management's GIC.

CLIENTS TO CONSIDER THEIR OWN INVESTMENT NEEDS

The GIC Asset Allocation Models are formulated based on general client characteristics such as investable assets and risk tolerance. This report is not intended to be a client-specific suitability analysis or recommendation, or offer to participate in any investment. Therefore, do not use this report as the sole basis for investment decisions.

Clients should consider all relevant information, including their existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon. Such a suitability determination may lead to asset allocation(s) results that are materially different from the asset allocation shown in this report. Clients should talk to their Financial Advisor about what would be a suitable asset allocation for them.

HYPOTHETICAL MODEL PERFORMANCE (GROSS)

Hypothetical model performance results do not reflect the investment or performance of an actual portfolio following a GIC Strategy, but simply reflect actual historical performance of selected indices on a real-time basis over the specified period of time representing the GIC's strategic and tactical allocations as of the date of this report. The past performance shown here is simulated performance based on benchmark indices, not investment results from an actual portfolio or actual trading. There can be large differences between hypothetical and actual performance results achieved by a particular asset allocation or trading strategy. Hypothetical performance results do not represent actual trading and are generally designed with the benefit of hindsight.

Actual performance results of accounts vary due to, for example, market factors (such as liquidity) and client-specific factors (such as investment vehicle selection, timing of contributions and withdrawals, restrictions and rebalancing schedules). Clients would not necessarily have obtained the performance results shown here if they had invested in accordance with any GIC Asset Allocation Model for the periods indicated.

Despite the limitations of hypothetical performance, these hypothetical performance results allow clients and Financial Advisors to obtain a sense of the risk/return trade-off of different asset allocation constructs. The hypothetical performance results in this report are calculated using the returns of benchmark indices for the asset classes, and not the returns of securities, fund or other investment products.

Performance of indices may be more or less volatile than any investment product. The risk of loss in value of a specific investment is not the same as the risk of loss in a broad market index. Therefore, the historical returns of an index will not be the same as the historical returns of a particular investment a client selects.

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Models may contain allocations to Hedge Funds, Private Equity and Private Real Estate. The benchmark indices for these asset classes are not issued on a daily basis. When calculating model performance on a day for which no benchmark index data is issued, we have assumed straight line growth between the index levels issued before and after that date.

Fees reduce the performance of actual accounts None of the fees or other expenses (e.g. commissions, mark-ups, mark-downs, fees) associated with actual trading or accounts are reflected in the GIC Asset Allocation Models. The GIC Asset Allocation Models and any model performance included in this presentation are intended as educational materials. Were a client to use these models in connection with investing, any investment decisions made would be subject to transaction and other costs which, when compounded over a period of years, would decrease returns. Information regarding Morgan Stanley's standard advisory fees is available in the Form ADV Part 2, which is available at www.morganstanley.com/adv. The following hypothetical illustrates the compound effect fees have on investment returns: For example, if a portfolio's annual rate of return is 15% for 5 years and the account pays 50 basis points in fees per annum, the gross cumulative five-year return would be 101.1% and the five-year return net of fees would be 96.8%. Fees and/or expenses would apply to clients who invest in investments in an account based on these asset allocations, and would reduce clients' returns. The impact of fees and/or expenses can be material.

INSURANCE PRODUCTS AND ETF DISCLOSURES

Morgan Stanley Smith Barney LLC offers **insurance products** in conjunction with its licensed insurance agency affiliates.

An investment in an **exchange-traded fund** involves risks similar to those of investing in a broadly based portfolio of equity securities traded on an exchange in the relevant securities market, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock and bond prices.

Variable annuities, mutual funds and ETFs are sold by prospectus only. The prospectus contains the investment objectives, risks, fees, charges and expenses, and other information regarding the variable annuity contract and the underlying investments, or the ETF, which should be considered carefully before investing. Prospectuses for both the variable annuity contract and the underlying investments, or the ETF, are available from your Financial Advisor. Please read the prospectus carefully before you invest.

Variable annuities are long-term investments designed for retirement purposes and may be subject to market fluctuations, investment risk, and possible loss of principal. All guarantees, including optional benefits, are based on the financial strength and claims-paying ability of the issuing insurance company and do not apply to the underlying investment options.

Optional riders may not be able to be purchased in combination and are available at an additional cost. Some optional riders must be elected at time of purchase. Optional riders may be subject to specific limitations, restrictions, holding periods, costs, and expenses as specified by the insurance company in the annuity contract.

If you are investing in a **variable annuity** through a tax-advantaged retirement plan such as an IRA, you will get no additional tax advantage from the variable annuity. Under these circumstances, you should only consider buying a variable annuity because of its other features, such as lifetime income payments and death benefits protection.

Taxable distributions (and certain deemed distributions) are subject to ordinary income tax and, if taken prior to age 59½, may be subject to a 10% federal income tax penalty. Early withdrawals will reduce the death benefit and cash surrender value.

ASSET CLASS RISK CONSIDERATIONS

For index definitions to the indices referenced in this report please visit the following: <http://www.morganstanleyfa.com/public/projectfiles/id.pdf>

Equity securities may fluctuate in response to news on companies, industries, market conditions and general economic environment.

Investing in foreign markets entails risks not typically associated with domestic markets, such as currency fluctuations and controls, restrictions on foreign investments, less governmental supervision and regulation, and the potential for political instability. These risks may be magnified in countries with **emerging markets and frontier markets**, since these countries may have relatively unstable governments and less established markets and economies.

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Investing in small- to medium-sized companies entails special risks, such as limited product lines, markets and financial resources, and greater volatility than securities of larger, more established companies.

The value of **fixed income securities** will fluctuate and, upon a sale, may be worth more or less than their original cost or maturity value. Bonds are subject to interest rate risk, call risk, reinvestment risk, liquidity risk, and credit risk of the issuer.

High yield bonds (bonds rated below investment grade) may have speculative characteristics and present significant risks beyond those of other securities, including greater credit risk, price volatility, and limited liquidity in the secondary market. High yield bonds should comprise only a limited portion of a balanced portfolio.

Interest on **municipal bonds** is generally exempt from federal income tax; however, some bonds may be subject to the alternative minimum tax (AMT). Typically, state tax-exemption applies if securities are issued within one's state of residence and, if applicable, local tax-exemption applies if securities are issued within one's city of residence.

Treasury Inflation Protection Securities' (TIPS) coupon payments and underlying principal are automatically increased to compensate for inflation by tracking the consumer price index (CPI). While the real rate of return is guaranteed, TIPS tend to offer a low return. Because the return of TIPS is linked to inflation, TIPS may significantly underperform versus conventional U.S. Treasuries in times of low inflation.

Ultrashort-term fixed income asset class is comprised of fixed income securities with high quality, very short maturities. They are therefore subject to the risks associated with debt securities such as credit and interest rate risk.

Alternative investments may be either traditional alternative investment vehicles, such as hedge funds, fund of hedge funds, private equity, private real estate and managed futures or, non-traditional products such as mutual funds and exchange-traded funds that also seek alternative-like exposure but have significant differences from traditional alternative investments. The risks of traditional alternative investments may include: can be highly illiquid, speculative and not suitable for all investors, loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices, volatility of returns, restrictions on transferring interests in a fund, potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized, absence of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than open-end mutual funds, and risks associated with the operations, personnel and processes of the manager. Non-traditional alternative strategy products may employ various investment strategies and techniques for both hedging and more speculative purposes such as short-selling, leverage, derivatives and options, which can increase volatility and the risk of investment loss. **Master Limited Partnerships (MLPs)** Individual MLPs are publicly traded partnerships that have unique risks related to their structure. These include, but are not limited to, their reliance on the capital markets to fund growth, adverse ruling on the current tax treatment of distributions (typically mostly tax deferred), and commodity volume risk. The potential tax benefits from investing in MLPs depend on their being treated as partnerships for federal income tax purposes and, if the MLP is deemed to be a corporation, then its income would be subject to federal taxation at the entity level, reducing the amount of cash available for distribution to the fund which could result in a reduction of the fund's value. MLPs carry interest rate risk and may underperform in a rising interest rate environment. **Investing in commodities** entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to, (i) changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention. **Physical precious metals** are non-regulated products. Precious metals are speculative investments, which may experience short-term and long term price volatility. The value of precious metals investments may fluctuate and may appreciate or decline, depending on market conditions. Unlike bonds and stocks, precious metals do not make interest or dividend payments. Therefore, precious metals may not be suitable for investors who require current income. Precious metals are commodities that should be safely stored, which may impose additional costs on the investor. **REITs** investing risks are similar to those associated with direct investments in real estate: property value fluctuations, lack of liquidity, limited diversification and sensitivity to economic factors such as interest rate changes and market recessions.

Risks of **private real estate** include: illiquidity; a long-term investment horizon with a limited or nonexistent secondary market; lack of transparency; volatility (risk of loss); and leverage.

Principal is returned on a monthly basis over the life of a **mortgage-backed security**. Principal prepayment can significantly affect the monthly income stream and the maturity of any type of MBS, including standard MBS, CMOs and Lottery Bonds.

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Asset-backed securities generally decrease in value as a result of interest rate increases, but may benefit less than other fixed-income securities from declining interest rates, principally because of prepayments.

Floating-rate securities The initial interest rate on a floating-rate security may be lower than that of a fixed-rate security of the same maturity because investors expect to receive additional income due to future increases in the floating security's underlying reference rate. The reference rate could be an index or an interest rate. However, there can be no assurance that the reference rate will increase. Some floating-rate securities may be subject to call risk.

Yields are subject to change with economic conditions. Yield is only one factor that should be considered when making an investment decision.

Credit ratings are subject to change.

Companies paying **dividends** can reduce or cut payouts at any time.

Asset allocation and diversification do not assure a profit or protect against loss in declining financial markets.

The **indices** are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment.

The **indices selected by Morgan Stanley Wealth Management** to measure performance are representative of broad asset classes. Morgan Stanley Wealth Management retains the right to change representative indices at any time.

Because of their narrow focus, **sector investments** tend to be more volatile than investments that diversify across many sectors and companies.

Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations.

Value investing does not guarantee a profit or eliminate risk. Not all companies whose stocks are considered to be value stocks are able to turn their business around or successfully employ corrective strategies which would result in stock prices that do not rise as initially expected.

Rebalancing does not protect against a loss in declining financial markets. There may be a potential tax implication with a rebalancing strategy. Investors should consult with their tax advisor before implementing such a strategy.

Any type of **continuous or periodic investment plan** does not assure a profit and does not protect against loss in declining markets. Since such a plan involves continuous investment in securities regardless of fluctuating price levels of such securities, the investor should consider his financial ability to continue his purchases through periods of low price levels.

Duration, the most commonly used measure of bond risk, quantifies the effect of changes in interest rates on the price of a bond or bond portfolio. The longer the duration, the more sensitive the bond or portfolio would be to changes in interest rates.

Besides the general risk of holding securities that may decline in value, **closed-end funds** may have additional risks related to declining market prices relative to net asset values (NAVs), active manager underperformance, and potential leverage. Some funds also invest in foreign securities, which may involve currency risk.

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GENERAL DEFINITIONS

Total Value: Total Value represents the Market Value of the portfolio or of a given Asset Class inclusive of interest and dividend accruals. Total Value for Asset Allocation before January 2014 does not include accruals.

Dollar-Weighted Return (Internal Rate of Return): A return calculation that measures the performance of your portfolio based on actual dollars invested over the reporting period. Since dollar weighted returns include the impact of the timing of contributions and withdrawals, they should not be compared to market indices or used to evaluate the performance of a manager but can be used to evaluate your progress toward investment goals.

Time-Weighted Return: A return calculation that measures the performance of one dollar invested over the reporting period. As time-weighted returns do not include the impact of timing of contributions and withdrawals, they can be compared to market indices and used to evaluate the performance of an investment or manager.

Net of Fees: Performance results depicted as "net" of fees shall mean that any wrap fee, investment management fees, trade commissions, and/or other account fees have been deducted. Any other fees or expenses associated with the account, such as third party custodian fees, may not have been deducted. Please see the Morgan Stanley Smith Barney LLC Form ADV Part 2 Brochure for advisory accounts and/or any applicable brokerage account trade confirmation statements for a full disclosure of the applicable charges, fees and expenses. Your Financial Advisor will provide those documents to you upon request.

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Net Contributions/Withdrawals: The net value of cash and securities contributed to or withdrawn from the account(s) during the reporting period. Net contributions and withdrawals may include advisory fees for advisory accounts.

Performance ineligible assets: Performance returns are not calculated for certain assets because accurate valuations and transaction data for these assets are not processed or maintained by us. Common examples of these include life insurance, some annuities and some assets held externally.

Investment Earnings: A combination of the income received and total portfolio value increase or decrease, excluding net contributions and withdrawals, over the reporting period.

Net Invested Capital: A combination of the total portfolio value and the net contributions/withdrawals over the reporting period.

BENCHMARK DEFINITIONS

65% MSCI AC World/35% Barclays Agg: The current allocation is comprised of 65.00% MSCI AC World Net, 35.00% BC Aggregate.

BC Aggregate: The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).

MSCI AC World Net: The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed market country indexes included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey, and United Arab Emirates (as of June 2014). Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. For historical return purposes the AC World gross returns are being used from 1/31/1988 to 12/31/1998 and the net returns begin as of 1/31/1999.