

October 22,
1999

Internal
Use
Only

Revolutionize Your Business with Scholars ChoiceSM

SCHOLARS CHOICESM is a powerful new program that can change the way you do business. Created under Section 529 of the Internal Revenue Code and sponsored by the State of Colorado, Scholars Choice will let your clients save more than ever before in a tax-deferred program. Anyone can invest in Scholars Choice—regardless of age or income level—and withdrawals can be used at any eligible college nationwide.

SCHOLARS CHOICE: THE BASICS

- Annual investments of up to \$10,000 (\$20,000 for married couples) per beneficiary are exempt from gift taxes and are excluded from the account owner's taxable estate.¹
- Alternatively, clients can contribute as much as \$50,000 (\$100,000 for married couples) per beneficiary without triggering gift taxes if they do not make further contributions to the same beneficiary over the next four years.²
- A choice of three investment options designed to keep pace with rising college costs—with assets invested in portfolios of Smith Barney Mutual Funds.
- Earning grow free from federal taxes³ until withdrawn to pay for college expenses. Qualified withdrawals are taxed at the student's federal income tax rate.
- No sales charges to the client—FCs receive an upfront payout and trail.

¹ Please keep in mind that other gifts the client makes to the beneficiary during the same calendar year may reduce the amount they can contribute to a Scholars Choice account for that child without triggering gift taxes.

² If the account holder dies before the end of the 5-year period, a portion of the contributions will be included in his or her gross estate.

³ For residents of Colorado and certain other states, earnings are also exempt from state taxes. Clients should see their tax advisor for details.

SCHOLARS CHOICESM



Save Today. Help Secure Tomorrow.

WWW.SCHOLARS-CHOICE.COM

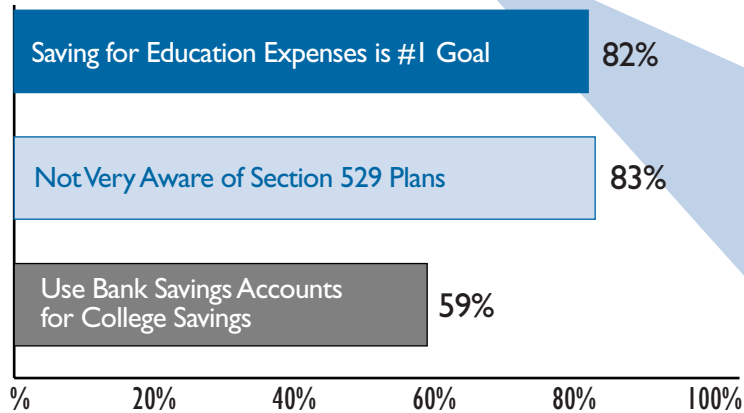


Smith Barney
Mutual Funds

Gain a Competitive Advantage

This is your opportunity to set yourself apart from the competition by being the first to offer a college savings program through Scholars Choice. Consider these findings from a recent survey* of 500 adults commissioned by Fidelity Investments:

THE MARKET IS READY



FOUR WAYS TO BUILD YOUR BUSINESS

- 1. Increase assets under management.** Scholars Choice allows your clients to contribute more than traditional tax-deferred savings programs. Account owners can contribute up to \$150,000 for any one beneficiary (the current maximum investment allowed by all account owners for any one beneficiary through Colorado Section 529 programs).
- 2. Build long-term relationships.** Clients' assets are likely to remain in the Scholars Choice program for a long-term period. It's also an excellent prospecting tool for cultivating new relationships.
- 3. Strengthen existing relationships.** Now you have a new reason to call existing clients with a new, innovative program. This can open the door to talk about other services, such as retirement and estate planning as well as other investment products.
- 4. Set yourself apart.** Be the first to talk about Section 529 college savings programs and show your clients that you are up on current developments that can benefit them.

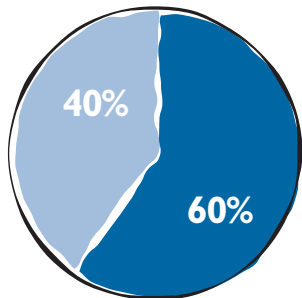
SALES CHARGES AND FC COMPENSATION

Client Upfront	FC Upfront	Trail	Back-end load
None	25 bp	25 bp annually, accruing in the 13th month and paying on calendar quarters	None

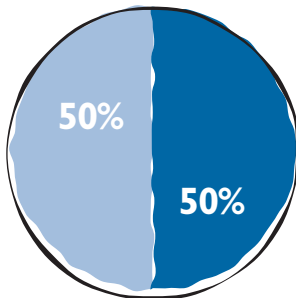
*Survey conducted in May 1999 by Richard Day Research, which polled 500 adults with household incomes over \$35,000 who expect to pay for at least some of their children's higher education costs.

Age-Based Investment Option

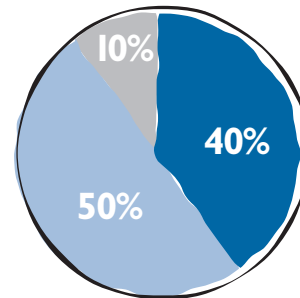
■ Stock Funds ■ Bond Funds ■ Money Market Funds



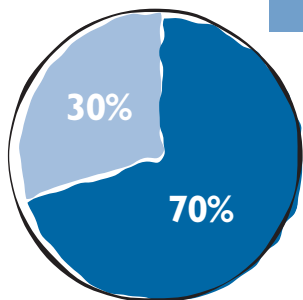
PORTFOLIO 3
Age 7 – 9



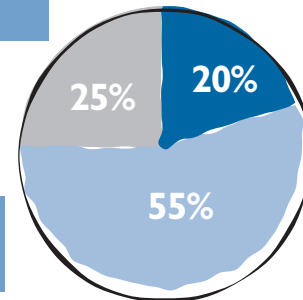
PORTFOLIO 4
Age 10 – 12
(Balanced Portfolio)



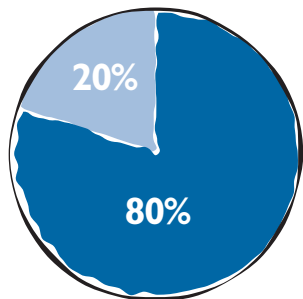
PORTFOLIO 5
Age 13 – 15



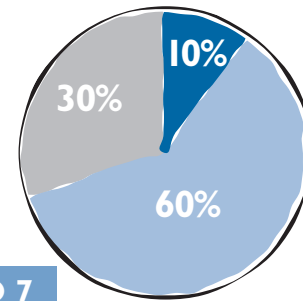
PORTFOLIO 2
Age 4 – 6



PORTFOLIO 6
Age 16 – 18



PORTFOLIO 1
Age 0 – 3



PORTFOLIO 7
Age 19 and older

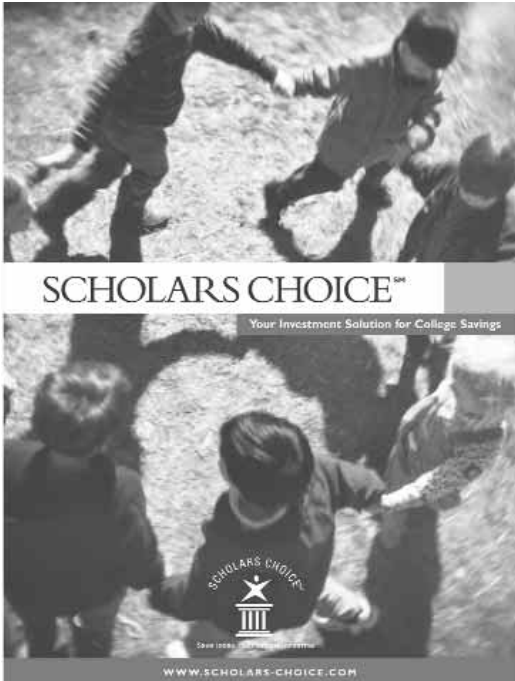
OTHER INVESTMENT OPTIONS

Scholars Choice also offers two additional investment options: A Balanced Portfolio (Portfolio 4 above) and Years to Enrollment Portfolios, which are based on the number of years until the beneficiary plans to attend school. See the Client Brochure or program Disclosure Statement for more details.

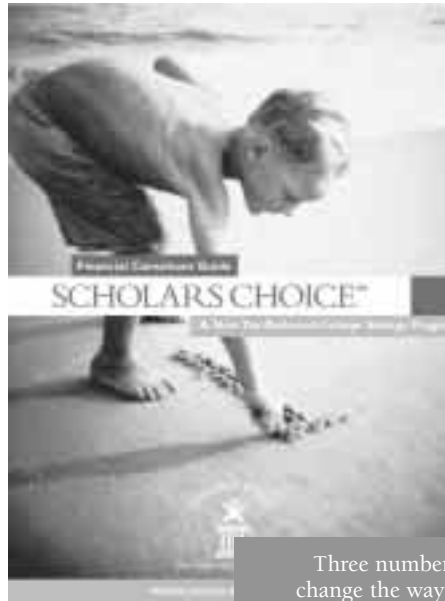
SCHOLARS CHOICE: WHOM TO TARGET

- ✦ Parents, grandparents, godparents, aunts and uncles—anyone who wants to contribute to a child’s education.
- ✦ High net worth clients interested in reducing their taxable estates.
- ✦ Clients with UGMA or UTMA accounts held at other firms who would prefer an account that ensures that proceeds will be used for college expenses.
- ✦ Clients with Education IRAs who want to save more. While they cannot contribute to an Education IRA and a college savings plan in the same year, it’s a good time to talk to these clients about opening a Scholars Choice account next year.

Marketing Materials



Client Brochure with account opening documents SCH8001



SCH5001
FC Guide



SCH2001 Small Client
Brochure



Lead-generation
Postcard
SCH0002



Bookmark
SCH0007

ACT NOW!

Currently, only a number of large financial firms manage assets in these plans. As media attention to 529 plans increases, take this opportunity to be the first to present this type of savings option to clients.

Keep in mind that the tax information in this issue is general in nature and does not constitute tax advice on the part of Salomon Smith Barney, the Colorado Student Obligation Bond Authority or the State of Colorado. Clients should consult their tax advisor for more specific information.

For questions about Scholars Choice, call the Retirement & Financial Planning Sales Desk **(212) 723-9210** or the Smith Barney Mutual Funds Sales Desk at **(800) 544-7835**.