

HUNTSVILLE AREA ASSOCIATION OF REALTORS®
BOARD OF DIRECTORS MEETING AGENDA
535 Monroe Street, Huntsville, AL
Tuesday, June 24th 2014
8:30 am

CALL MEETING TO ORDER

BILL STEWART

I. INVOCATION

II. PLEDGE OF ALLEGIANCE

III. CONSENT AGENDA

BILL STEWART

- a) Motion to approve the HAAR Consent Agenda/Minutes

IV. TREASURER'S REPORT

LARRY CARROLL

- a) April 2014 Financials
- b) Investment Committee Motions (Conference call with Michael Engel of Morgan Stanley)
- c) Gala Motion

V. PRESIDENT REMARKS

BILL STEWART

- a) Election Committee

VI. CEO UPDATE

KIPP COOPER

VII. COMMITTEE REPORTS

- | | |
|-------------------------|---------------------|
| a) Governmental Affairs | STEVEN LAMAR |
| b) ARPAC | SHA JARBOE |
| c) Affiliate Director | NICKIE ALLISON-LASH |
| d) North Alabama CRS | KATHY MANN |
| e) WCR | CARRIE BURKE |
| f) YPN Huntsville | DARRIN HASLEY |
| g) REALTORS in Action | JIM JOHNSON |

VIII. COMMITTEES PRESENTING MOTIONS

- a) Education Committee

IX. OTHER BUSINESS

ADJOURN MEETING

IMPORTANT DATES

July 4 th	Independence Day- Office Closed
July 10 th	Membership Luncheon
July 14 th	1:00-4:00 pm Risk Management: Avoiding Violations Class
July 21 th	1:30-4:30 pm Risk Management for Brokers (level two) (3 CE credits) \$25 - Clif Miller
July 24 th	9:00am-Noon iPad Hands- on Workshop (3 hours CE Credit) \$75
July 24 th	1-4:00pm iPad Applications for a Paperless REALTOR \$75
July 25 th	Landlord Tenant Act (3 hours CE Credit) \$25 – Attorney Sarah Taggart
August 7 th	Membership Luncheon



BOARD OF DIRECTORS MEETING

OF

THE HUNTSVILLE AREA ASSOCIATION OF REALTORS®

June 24th, 2014

CONSENT AGENDA

(Items listed on the Consent Agenda are expected to be routine and non-controversial and, unless the Board directs that an item be held for further discussion, the entire CONSENT AGENDA will be acted upon for block approval. If the Board directs that an item listed on the CONSENT AGENDA be held for further discussion, the item will be addressed under “Other Business.”)

HAAR Consent Agenda

June 24th, 2014

ITEM	PAGE
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HUNTSVILLE AREA ASSOCIATION OF REALTORS®
OFFICERS & DIRECTORS MEETING MINUTES
Tuesday, May 20th 2014
Immediately following NALMLS O&D

PRESENT: President Bill Stewart , President-Elect Opie Balch, MLS President Kathy Mann , Secretary/Treasurer Larry Carroll, Attorney Bo Harrison, Ginny Brandau, Paul Buxton, Darrin Hasley, Sha Jarboe, Jim Johnson, Lynn Kilgore, Steven LaMar, Zeld Lanza, Terry Lewis, Landa Pennington, Cindi Peters, Tommy Pruett, Rod Schumann, Regina Underwood, Rod Weaver, Jan Wells, Bill Ward, Julie Lockwood, Carrie Burke

ABSENT: Nickie Allison-Lash, Robert Simons

STAFF: CEO Kipp Cooper, Christina Hearne, Katy Fitzgerald, Arely Jaimes, Rhonda Ricketts

At a meeting of the Officers and Directors, held at 535 Monroe Street, Huntsville, AL., 35801, the meeting was called to order by President Bill Stewart at 10:05 am, Central Standard Time.

Invocation led at NALMLS O&D meeting

Pledge of Allegiance led at NALMLS O&D meeting

MOTION: To approve the HAAR Consent Agenda

Motion Carried.

TREASURERS REPORT

Secretary/Treasurer Larry Carroll presented the March 2014 Financials.

Notes to HAAR 2014 March Financial Statement

HAAR Balance Sheet

The HAAR balance sheet currently reflects total assets of \$1,266,678 compared to \$10,877 in liabilities. 99% of the current assets are in cash, CD, money market or restricted reserves.

HAAR Profit and Loss Statement / Income Statement

Income line 1503 - Application Fees of \$24,000 reflects 60 new members for 2014.

Income line 1520 - Late fees of \$8,835 has exceeded the 2014 annual budget by 35%.

Income line 152514 - HAAR Dues 2014 reflects full dues collection for 1,624 members and prorated dues on 55 new members. As of March we have exceeded the 2014 annual budget by \$3,815 in dues collection. (The 2014 annual budget was based on 1,634 members paying full dues)

Income line 1535 - ARPAC Event Income of \$1,280 is offset with expense line 1743.1, netting \$663. The next ARPAC fund raiser is scheduled for August

Income line 1553 - Supra Activekey Car Charger Income of \$175 nets a negative \$267 with expense line 18274. More chargers had to be ordered during March to replenish the inventory. As the product is sold, the income account will turn positive.

Expense line 1777 - Pre/Post Licensing of \$355 consists of an AREC refund of \$1,035, course applications related to the HAAR School of Real Estate, and instructor payments for Quarter 1. In April, we received our first Online Learning payment of \$435.

The HAAR Profit & Loss Statement reflects total income of \$313,690 and total expense of \$180,269 as of March 2014. The Net Income is \$133,420 which is \$20,007 more than budgeted for March .

CONTRACT RENEGOTIATIONS:

none

Reserve Goals Update

The HAAR reserve goal for 2014 is \$678,190.50. As of March, HAAR has \$523,626 in reserves which is 77% of the 2014 goal. The current reserves amount will provide approximately 9 months of operating expenses.

Reserves Goal: \$ 678,190.50

Reserves Actual:

Restricted - Operating Reserves	487,702.33
Restricted - Bldg Maint Reserve	25,645.36
Restricted - Computer Reserve	<u>10,278.43</u>
Reserves Actual as listed above:	\$ 523,626.12
Difference between Goal and Actual:	\$ (154,564.38)
Percentage of Goal:	77.21%

Reserves Goal: \$ 678,190.50

Comprehensive Cash Actual:

Unrestricted Operating Account	230,902.47
Unrestricted Operating Money Market	26,300.78
Restricted - Operating Reserves	487,702.33
Restricted - Bldg Maint Reserve	25,645.36
Restricted - Computer Reserve	<u>10,278.43</u>
Comprehensive Cash as listed above:	\$ 780,829.37
Difference between Goal and Actual:	\$ 102,638.87
Percentage of Goal:	115.13%

PRESIDENTS REMARKS

President, Bill Stewart informed the Directors that NAR’s Board of Directors approved mandatory core standards for Associations of Realtors at the May 17 2014 meeting. These core standards are intended to ensure high-quality services for all members and cover the following areas: Code of Ethics enforcement and education, advocacy, consumer outreach, unification efforts and support of the Realtors organization, technology and financial solvency.

Motion presented by President Bill Stewart: To approve the formation of a NAR Core Standards Task force, chaired by Opie Balch.

Motion Carried.

President, Bill Stewart congratulated Ginny Brandau on being installed to the RPAC Hall of Fame at the REALTOR® Party Convention and Trade Expo.

President, Bill Stewart reminded everyone that it’s time to appoint the Nominating Committee. Per the HAAR bylaws it will be made up of the Past 5 Presidents (willing to serve) and 2 members at large that will be voted on at the June 5th Membership Meeting.

MOTION presented by President Bill Stewart: To affirm the appointment of Julie Lockwood, Bill Ward, Valerie Miles, Sid Pugh and Clif Miller to the Nominating Committee.

Motion Carried.

CEO UPDATE

CEO, Kipp Cooper briefed the directors on the NAR Realtor Party Convention and Trade Expo.

COMMITTEE REPORTS

Governmental Affairs Committee Chair Steven Lamar reported that their committee had been busy interviewing candidates. At this time the committee elected not to endorse anyone for the primary. The committee will be meeting in June to look at endorsements.

ARPAC Chair Sha Jarboe announced they had a successful Major Donor Event. She asked the officers and directors to keep an eye out for members with questions regarding ARPAC. She and the committee members will be more than happy to explain to them what ARPAC is and what the benefits of ARPAC are.

Director Ginny Brandau reported on behalf of Affiliate Director Nickie Allison-Lash: Nicki is no longer with AL.com she is now working with RP Media Inc. The second Affiliate Council meeting was today.

CRS President Kathy Mann announced they are starting their chapter with a heart fundraiser, to benefit Be a Santa to a Senior. The prize drawing will be for two Iron Bowl Tickets worth \$750 ea. Chance tickets are 1 for \$10 and 3 for \$25.

WCR President Carrie Burk mentioned their Derby Day event was a success. Their next meeting will be June 11th; the speaker will be Dennis Madsden - Huntsville City Urban Planner.

REALTORS in Action Chair Jim Johnson shared that requests for RIA services are being requested. We are currently selling chance tickets for the Big Green egg and proceeds will go to our benevolence fund. RIA will be hosting a wine tasting fundraiser in August; details to come.

COMMITTEE MOTIONS

Finance and Budget

MOTION: To approve an additional \$2,527 for parking lot repairs

Rational: The Repairs & Maintenance line of the 2014 budget was set at \$3,000 for parking lot repairs. The bid is for \$5,527 which includes removal and replacement of pavement in the front parking areas. The additional funding will come from the HAAR operating funds.

Motion Carried.

MOTION: To reimburse HAAR Officers for their full airfare incurred as related to the 2014 NAR Mid-Year meeting.

Rationale: The 2014 travel policy and budget allows for up to \$400 in transportation expense for the NAR Mid-Year Conference. Flight prices range from \$316 - \$676. Should the traveler stay overnight in order to get a cheaper flight, the policy allows for an additional night of lodging reimbursement. Basically, to reimbursement the flight difference was a wash between hotel cost and overnight per diem.

Motion Carried.

OTHER BUSINESS

Motions from NALMLS O&D Meeting

MOTION: To ask Forms Committee to review the Green Disclosure Addendum as a possible non-required form.

Rationale: Possible need of this form since the growing trend toward more energy efficient homes is gradually affecting the real estate professional's method of doing business.

Motion Carried.

MOTION: To allow up to 50 photos per listing in Paragon.

Rationale: there is no limit to the number of photos allowed by Paragon. Largest number of photos is 99 with the average being 30.

Motion Carried.

MOTION: To revise the NALMLS late fee schedule so that the members access is interrupted on the 10th day of the month in which the fees are due. A late fee of \$50 will be created on the 16th day of the month in which the fees are due. The office access is interrupted on the 1st day of the following month.

Motion Carried.

Meeting adjourned at 10:47 am

Minutes respectfully submitted by Arely Jaimes for Larry Carroll.

May Committee Reports

ARPAC

No Report.

BYLAWS

No Report.

CARAVAN

No Report

FINANCE & BUDGET

No Report.

FORMS

No Report

GRIEVANCE

Nothing to report.

GOVERNMENTAL AFFAIRS

The Government & Political Affairs committee met on Tuesday, June 17th. The motion from the committee to support the following candidates is submitted to the Officers & Directors:

Madison County Schools Superintendent – Matt Massey

Madison County Tax Assessor – Cliff Mann

Madison County Tax Collector – Linda Hall

Madison County Coroner – Bobby Berryhill

Education Committee

No Report.

ORIENTATION

No Report

PROFESSIONAL STANDARDS

Nothing to report

REALTORS in Action

We are still selling tickets for the big green egg chance prize. Please help support this great committee by purchasing your tickets.

May-June 2014 HAAR MEMBERSHIP REPORT

The Huntsville Area Association of REALTORS® has received 2 Designated REALTOR® Applications, 21 REALTOR® Applications and 2 Affiliate Applications from May 14, 2014 thru June 17, 2014.

DESIGNATED REALTOR®

Teresa Gilreath
Roxanne Osborne

American Dream R.E. & Rentals
Realty South Huntsville

REALTOR®

Jeffrey B. Baker
Alexa Crow
Tammy Ernst
Nathan Fisher
James Flatt
Austen Furr
Alan Gastler
Melissa Goodwin
Deborah Herron
Pamela Huggins
April Killgore
Carlos Long
Clint McBay
David Metcalf
Tammy Olive
Kristie Phillips
Jason Polk
Denise Rodgers
Ravina Sujanani
Megan Starkey
Lori "Sunshine" Wilhite

Capstone Realty
Crye-Leike Realtors-HSV
Keller Williams Realty-MAD
Exit Realty of the Valley-Mad.
Battle Real Estate
Keller Williams Realty-Mad
Cole & Co. Auction & Property
Amanda Howard Real Estate
Keller Williams Realty-MAD
Legend Realty
Legend Realty
Rise Real Estate-Main
Keller Williams Realty-MAD.
Swanner Real Estate
Crye-Leike Realtors-HSV
Coldwell Banker First
Exit Realty of the Valley-HSV
Keller Williams Realty-HSV
Keller Williams Realty-Mad.
Capstone Realty
Legend Realty

AFFILIATE

Patti Clark
Wesley Pinyan

Open Gate Homes LLC
Cushman & Wakefield of Georgia

Alabama Housing Statistics Reporting Form
North Alabama Multiple Listing System, Inc. ([NALMLS](#))

Board: HUNTSVILLE AREA ASSOCIATION OF REALTORS

Month: May, 2014

MONTHLY TOTALS (This represents our previous form.)					
	# Sold This Month	Average Selling Price	Median Selling Price	Average Days On Market	# of Units on the Market
Total	458	\$193,100	\$167,000	132	3180
	# Pending This Month	Average Pending Price	Median Pending Price	Average Days On Market	# of Units Currently Pending
Total	330	\$206,387	\$179,900	123	547

BY PROPERTY TYPE (Please mark "NR" if MLS cannot retrieve these figures)

	# Sold This Month	Average Selling Price	Median Selling Price	Average Days On Market	# of Units on the Market
Existing SF (Single Family, Garden & Townhomes):	353	\$178,630	\$150,000	111	2,673
Condo(New & Existing):	16	\$135,431	\$100,750	101	105
New Construction: (Single Family, Garden & Townhomes)	89	\$260,861	\$240,000	179	402

PRICE DISTRIBUTION

Price Range:	# of Total Sales:	AVG DOM	# of Current Active Listings
\$99,999 OR UNDER	89	87	522
\$100,000 - \$124,999	50	99	244
\$125,000 - \$149,999	54	116	302
\$150,000 - \$199,999	89	116	617
\$200,000 - \$249,999	56	112	439
\$250,000 - \$299,999	53	116	353
\$300,000 - \$349,999	31	94	191
\$350,000 - \$399,999	10	57	151
\$400,000 - \$449,999	5	49	86
\$450,000 - \$499,999	8	148	74
\$500,000 - \$549,999	4	110	42
\$550,000 - \$599,999	6	66	33
\$600,000 - \$649,999	1	11	22
\$650,000 - \$699,999	1	253	26
\$700,000 - \$749,999	0		11
\$750,000 - \$799,999	0		14
\$800,000 OR OVER	1	0	53

**HUNTSVILLE AREA ASSOCIATION OF REALTORS
As of April 2014**

Notes to HAAR 2014 April Financial Statement

HAAR Balance Sheet

The HAAR balance sheet currently reflects total assets of \$1,298,100 compared to \$16,597 in liabilities. 98% of the current assets are in cash, CD, money market or restricted reserves.

HAAR Profit and Loss Statement / Income Statement

Income line 1503 - Application Fees of \$32,000 reflects 80 new members for 2014.

Income line 1515 - Member Benefits Partner Program of \$3,437 has exceeded the 2014 annual budget by 37%.

Income line 152514 - HAAR Dues 2014 reflects full dues collection for 1,625 members and prorated dues on 75 new members. This line has also exceeded the 2014 annual budget by \$5,736 in dues collection. (The 2014 annual budget was based on 1,634 members paying full dues)

The HAAR Profit & Loss Statement reflects total income of \$377,563 and total expense of \$218,440 as of April 2014. The Net Income is \$159,122 which is \$24,870 more than budgeted for April .

CONTRACT RENEGOTIATIONS:

none

Reserve Goals Update

The HAAR reserve goal for 2014 is \$678,190.50. As of April, HAAR has \$500,846 in reserves which is 73% of the 2014 goal. The current reserves amount will provide approximately 9 months of operating expenses.

Reserves Goal: \$ 678,190.50

Reserves Actual:

Restricted - Operating Reserves	464,923.07
Restricted - Bldg Maint Reserve	25,645.36
Restricted - Computer Reserve	<u>10,278.43</u>

Reserves Actual as listed above: \$ 500,846.86

Difference between Goal and Actual: \$ (177,343.64)

Percentage of Goal: 73.85%

HUNTSVILLE AREA ASSOCIATION OF REALTORS
Summary Balance Sheet
As of April 30, 2014

	<u>Apr 30, 14</u>
ASSETS	
Current Assets	
Checking/Savings	797,156.61
Accounts Receivable	2,138.06
Other Current Assets	4,026.52
Total Current Assets	<u>803,321.19</u>
Fixed Assets	493,779.25
Other Assets	1,000.45
TOTAL ASSETS	<u><u>1,298,100.89</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	16,597.56
Total Current Liabilities	<u>16,597.56</u>
Total Liabilities	16,597.56
Equity	<u>1,281,503.33</u>
TOTAL LIABILITIES & EQUITY	<u><u>1,298,100.89</u></u>

HUNTSVILLE AREA ASSOCIATION OF REALTORS

Balance Sheet

As of April 30, 2014

Apr 30, 14

ASSETS

Current Assets

Checking/Savings

1101 - Petty Cash	300.00
1102 - Petty Cash - Key System	147.00
1103 - Regions Operating Account #0700	262,631.85
110594 - Regions MM# 0058500618	26,300.78
1105 - Restricted - Operating Reserves	464,923.07
1108 - Restricted - Bldg Maint Reserve	25,645.36
1109 - Restricted - Computer Reserve	10,278.43
1112.1 - Regions#9286-Realtors in Action	4,759.49
1112.2 - RDFCU#5410-Texie Wilson MemFund	2,170.63

Total Checking/Savings 797,156.61

Accounts Receivable

1115 - A/R Other	137.50
1121 - A/R - from MLS	2,000.56

Total Accounts Receivable 2,138.06

Other Current Assets

1190 - Prepaid Expenses	885.52
1194 - Prepaid Income Tax	3,141.00

Total Other Current Assets 4,026.52

Total Current Assets 803,321.19

Fixed Assets

1202 - Building Accessories	3,681.02
1203 - Land (Purchased July 1980)	130,722.50
1204 - Furniture & Equipment	15,332.83
1215 - Land Improvements	3,799.07
1217 - Computer Equipment	7,484.95
1218 - Original Building	0.12
1219 - Building Addition	114,195.02
1220 - Trademark	5,569.76
1230 - Copyright	245.61
1250 - HAAR Logo	2,703.14
1221 - Leasehold Improvements	210,045.23

Total Fixed Assets 493,779.25

Other Assets

1225 - Investment in MLS 1,000.45

Total Other Assets 1,000.45

TOTAL ASSETS 1,298,100.89

HUNTSVILLE AREA ASSOCIATION OF REALTORS

Balance Sheet

As of April 30, 2014

Apr 30, 14

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Other Current Liabilities

1300.1 · A/P - Realtors in Action	4,759.49
1300.2 · A/P - Texie Wilson MemFund	2,170.00
130414 · Payable - NAR Assmt 2014	595.00
130514 · Payable - NAR Dues 2014	1,560.00
130614 · Payable - AAR Dues 2014	2,465.00
130714 · Payable - AAR New Member 2014	1,700.00
1315 · Accrued Income Tax Payable	13.00
1320 · Deferred Income	2,500.00
1324 · Building Use - Refundable Dep	800.00
1380 · Use Taxes Payable	35.07

Total Other Current Liabilities 16,597.56

Total Current Liabilities 16,597.56

Total Liabilities 16,597.56

Equity

3900 · Fund Balance 1,122,380.38

Net Income 159,122.95

Total Equity 1,281,503.33

TOTAL LIABILITIES & EQUITY 1,298,100.89

HUNTSVILLE AREA ASSOCIATION OF REALTORS

Profit & Loss Budget vs. Actual

January through April 2014

	Jan - Apr 14	YTD Budget	YTD Variance	% of YTD Budget	2014 Annual Budget	2014 Notes
Ordinary Income/Expense						
Income						
1502 - Interest Income	739.83	720.00	19.83	102.75%	2,000.00	interest on CD's & MM's (0.25%-2.00% earned)
1503 - Application Fees	32,000.00	26,000.00	6,000.00	123.08%	71,820.00	App fee \$400. Budgeted at 179. Actual to date: 80
1511 - Gift Card Sponsor Income	0.00	0.00	0.00	0.0%	1,000.00	
1515 - Member Benefits Partner Program	3,437.50	2,500.00	937.50	137.5%	2,500.00	Service oriented non-member category. Prorated qtrly: \$275, \$206.25, \$137.50, \$68.75.
1516 - Newsletter Advertising Income	0.00	0.00	0.00	0.0%	6,000.00	Online newsletter. Ads offered to affiliate members. Budgeted for 2 ads/mth at \$250/ea
1520 - Late Fees	8,915.00	6,500.00	2,415.00	137.15%	6,500.00	late fees charged after January 15, 2014
1524 - Annual Key Maintenance	5,544.00	4,800.00	744.00	115.5%	36,669.00	Supra pays: annually at \$21/active key user. Qtrly at \$2/mth/ekey user.
152514 - HAAR Dues 2014	187,208.00	178,523.52	8,684.48	104.87%	181,471.68	Budgeted @ 1634. Full dues collected on 1625. Prorated on 75 new members.
1526 - Rent Income - MLS	27,000.00	27,000.00	0.00	100.0%	81,000.00	reflects line item 2860 of NALMLS budget
1527 - Education Income	13,930.00	12,000.00	1,930.00	116.08%	19,000.00	CE non-quadrrennial year. Budgeted \$11k class income, \$2k sponsors. NET \$8,246.64
1527.1 - Orientation Income	3,000.00	3,000.00	0.00	100.0%	9,000.00	Budgeted 3 sponsors per month @ \$250 ea. NET \$1,726.32
1527.2 - Pre/Post Licensing Income	435.90	400.00	35.90	108.98%	7,980.00	Budgeted 20 @ \$399. Offset by expense line 1777.
15291 - Banquet Income	32,325.00	27,500.00	4,825.00	117.55%	27,500.00	January 11 @ Jackson Ctr. Tickets and sponsors offset expense. NET \$4,252.66
1530 - Misc Income	3,288.54	1,000.00	2,288.54	328.85%	1,000.00	labels, vendor discounts
1531 - Building Rental Income	2,325.00	1,700.00	625.00	136.77%	4,000.00	Charging fees to cover equipment. Room fee: \$25/hr/1 room, \$35/hr/2 rooms, \$40/hr/3 rooms
1533 - REALTOR Expo	125.00	0.00	125.00	100.0%	11,480.00	offset by expense line item 1854
1533.1 - Technology Expo Income	0.00	0.00	0.00	0.0%	4,000.00	offset by expense line item 1854.1
1535 - ARPAC Event Income	1,280.00	500.00	780.00	256.0%	15,000.00	Income from ARPAC tickets, sponsors, etc. NET \$651.21
15351 - Arbitration/Mediation Fees	700.00	700.00	0.00	100.0%	1,500.00	
1538 - Maps Income	62.10	65.00	2.90-	95.54%	350.00	we have roughly 1.25 boxes remaining (13 sleeves w/ 25 maps)
1539 - GMM Luncheon Income	9,738.58	8,800.00	938.58	110.67%	20,015.00	\$13/person, budgeted \$5000 in sponsors
1546 - Royalties from NALMLS	9,196.00	8,500.00	696.00	108.19%	35,550.72	Budgeted 96% retention rate of 1543. Projected at \$2/mbr/mth
1547 - POC from NALMLS	19,037.50	18,516.00	521.50	102.82%	74,064.00	POC is \$50/mbr as of the Feb 1 member count of 1523.
1552 - KeyBoxes	12,055.00	13,500.00	1,445.00-	89.3%	52,500.00	\$105/bx. NET \$2,063.20
1553 - Supra Activekey Car Charger	225.00	75.00	150.00	300.0%	250.00	\$25.00 ea. NET (\$217.94) . Inventory ordered on expense line 18274
1554 - Supra Ekey Fob	4,500.00	2,000.00	2,500.00	225.0%	5,794.20	\$60 ea. NET \$668.86
1555 - Supra Replacement Key Container	44.00	22.00	22.00	200.0%	100.00	\$11.00 ea.
1556 - Supra iPhone Adapter	59.00	1,256.00	1,197.00-	4.7%	3,776.00	\$59.00 ea. NET \$59
1557 - Supra Return Postage Income	392.50	0.00	392.50	100.0%	0.00	\$2.50 fobs, adapters, chargers. \$5.00 lockboxes and active keys. NET \$220.74
Total Income	377,563.45	345,577.52	31,985.93	109.26%	681,820.60	
Gross Profit	377,563.45	345,577.52	31,985.93	109.26%	681,820.60	
Expense						
1735 - Accounting	11.03	15.00	3.97-	73.53%	500.00	QB checks & supplies
1735.1 - Audit	24,250.00	24,250.00	0.00	100.0%	24,250.00	Audit & taxes
1736 - Dues & Subscriptions	790.00	820.00	30.00-	96.34%	3,200.00	Chamber
1740 - Advertising	19.99	25.00	5.01-	79.96%	6,504.00	Constant Contact, iStock Photo, FaceBook Mktg, PR, Vocus 1/2, Misc. removed community outreach

HUNTSVILLE AREA ASSOCIATION OF REALTORS

Profit & Loss Budget vs. Actual

January through April 2014

	Jan - Apr 14	YTD Budget	YTD Variance	% of YTD Budget	2014 Annual Budget	2014 Notes
1743 · ARPAC (Golden R \$2000)	2,000.00	2,000.00	0.00	100.0%	2,000.00	this is to maintain our Golden R status
1743.1 · ARPAC Event Expense	628.79	600.00	28.79	104.8%	12,500.00	expense from ARPAC events
1756 · Bank Svc Charge & CC Processing	2,538.64	3,050.00	511.36-	83.23%	6,000.00	credit card processing & bank chgs
1761 · Charitable Projects (\$5,000)	0.00	0.00	0.00	0.0%	5,000.00	Association's charity of choice (\$5k added at 9/2013 O&D mtg. To be used only if we are in the black)
1766 · Copier/Fax	600.00	600.00	0.00	100.0%	1,800.00	HAAR paying NALMLS 150/mth. NALMLS line item 2766 .
1771 · Chamber of Commerce-HREGI (15K)	0.00	0.00	0.00	0.0%	10,000.00	
1773 · Depreciation Expense	11,556.40	11,600.00	43.60-	99.62%	34,800.00	**Non-Cash expense
1774 · Amortization Expense	244.24	400.00	155.76-	61.06%	1,200.00	**Non-Cash expense
1776 · Education & Seminars	5,683.36	5,700.00	16.64-	99.71%	9,500.00	Speakers & supplies.
1777 · Pre/Post Licensing Expense	562.79	700.00	137.21-	80.4%	3,980.00	Offset by line item 1527.2. \$1,035 credit from AREC related to 2013 charge errors.
1785 · Grievance Committee	0.00	0.00	0.00	0.0%	600.00	
1786 · Installation Banquet	28,072.34	25,000.00	3,072.34	112.29%	25,000.00	
1806 · Insurance	3,600.00	3,600.00	0.00	100.0%	5,500.00	Budgeted \$3500 AON Prof Liab, \$2K for building
18271 · Lockbox-SUPRA	7,741.80	8,000.00	258.20-	96.77%	39,000.00	Refurberd iBoxes
18272 · Lockbox Buyback	2,250.00	1,000.00	1,250.00	225.0%	4,000.00	HAAR buys back used lockboxes @ \$50/bx
18274 · ActiveKey Car Charger	442.94	100.00	342.94	442.94%	100.00	Restock of inventory
18275 · EKey Fob	3,831.14	3,850.00	18.86-	99.51%	4,500.00	\$49.95/fob. Only carrying the Fob 3.
18276 · iPhone Adapter	0.00	0.00	0.00	0.0%	3,200.00	\$49.95/adapter
1831 · Legal	0.00	0.00	0.00	0.0%	4,000.00	Bo Harrison fees
1839 · Member Relations	2,438.27	2,000.00	438.27	121.91%	2,000.00	flowers for members, plaques, realtor day
1840 · Governmental Affairs	2,917.11	3,350.00	432.89-	87.08%	15,000.00	Frank, COC mtgs
1843 · Membership Meetings	3,786.64	3,000.00	786.64	126.22%	15,000.00	food, room setup, supplies
1845 · Office Expense/Supplies	943.77	1,820.00	876.23-	51.86%	5,460.00	general ofc supplies & storage unit
1846 · Open House	0.00	0.00	0.00	0.0%	5,000.00	scheduled for December 11, 2014
1847 · Business Meetings	1,037.41	1,100.00	62.59-	94.31%	6,036.00	O&D meetings & supplies less, broker b'fast, past pres b'fast, Affiliate Council
1848 · Network Server Maintenance	468.23	471.00	2.77-	99.41%	6,325.00	
1850 · Postage	480.80	300.00	180.80	160.27%	900.00	HAAR paying NALMLS 75/mth; \$304.20 related to returning defective Supra items.
1853 · Professional Standards Comm	112.68	125.00	12.32-	90.14%	600.00	
1854 · REALTOR Expo Expense	0.00	0.00	0.00	0.0%	8,000.00	offset by income line item 1533
1854.1 · Technology Expo Expense	0.00	0.00	0.00	0.0%	2,500.00	offset by expense line item 1533.1
1855 · Printing	0.00	0.00	0.00	0.0%	1,500.00	Business cards, envelopes, letterhead
18560 · Security System	268.50	176.00	92.50	152.56%	960.00	PSS 90/qtr + svc calls
18561 · Janitorial Services	2,454.73	2,240.00	214.73	109.59%	6,720.00	NAC supplies ~ 75/mth. Reduce JaniKing 3 days/wk at \$485/month
18562 · Landscaping & Lawn Care	1,356.00	1,659.00	303.00-	81.74%	5,280.00	Superior Trimmers 340/mth+1200 for mulch and flowers.
18563 · Pest Control	636.02	688.00	51.98-	92.45%	1,676.00	Pest Control 75/mth, Termite 169/qtr, \$100 misc
18564 · Electrical	2,752.12	1,000.00	1,752.12	275.21%	1,000.00	lights
18565 · Plumbing	75.00	75.00	0.00	100.0%	1,000.00	basic repairs & installation. Repair Kitchen drain.
18566 · Heat & A/C	944.50	1,060.00	115.50-	89.1%	2,296.00	preventative maintenance on units, filters, service calls
18568 · Repairs and Maintenance	2,147.47	600.00	1,547.47	357.91%	3,000.00	testing after remediation, roof drain repair
18569 · Waste Dumpster Services	312.00	304.00	8.00	102.63%	1,136.00	Budgeted \$78/mth+200 for extra pickups
1861 · Special Projects	0.00	0.00	0.00	0.0%	500.00	

HUNTSVILLE AREA ASSOCIATION OF REALTORS

Profit & Loss Budget vs. Actual

January through April 2014

	Jan - Apr 14	YTD Budget	YTD Variance	% of YTD Budget	2014 Annual Budget	2014 Notes
1864 · Orientation	1,273.68	1,350.00	76.32-	94.35%	4,800.00	Offset by line item 1527.1
1865 · Service from MLS	85,797.52	85,797.52	0.00	100.0%	257,392.50	reflects line item 2503 on NALMLS budget (allocation of salaries)
1867 · Strategic Planning	0.00	0.00	0.00	0.0%	1,000.00	
1870 · Taxes - Property	0.00	0.00	0.00	0.0%	14,250.00	
1873 · Travel	5,625.22	5,500.00	125.22	102.28%	62,725.00	mileage rate is \$0.56/mile
1874 · Telephone	1,000.00	1,000.00	0.00	100.0%	3,000.00	HAAR pays NALMLS 250/mth.
1880 · Utilities	6,789.37	6,400.00	389.37	106.08%	20,500.00	slightly higher as a result of construction
1892 · Miscellaneous	0.00	0.00	0.00	0.0%	500.00	
1990 · Provision for Income Tax	0.00	0.00	0.00	0.0%	15,000.00	
Total Expense	218,440.50	211,325.52	7,114.98	103.37%	678,190.50	
Net Ordinary Income	159,122.95	134,252.00	24,870.95	118.53%	3,630.10	
Net Income	159,122.95	134,252.00	24,870.95	118.53%	3,630.10	
Payback of Building Renovation Loan	0.00	0.00	0.00	0.0%	33,333.33	To be paid in December 2014
Building CD#0962 maturity	0.00	0.00	0.00	0.0%	25,000.00	Matures in December 2014. Will be applied to the above payback schedule.
Net Income	159,122.95	134,252.00	24,870.95	118.53%	(4,703.23)	

HUNTSVILLE AREA ASSOCIATION OF REALTORS
As of March 2014

HAAR Membership Count:	Budgeted Dues Income	Actual Dues Income
As of December 2, 2013: 1572 Realtors and Designated Realtors	\$ 159,840.00	\$192,913.58

Other Notes

Number of members who terminated 12/31/2013-1/31/14	43
Number of members on medical/military leave in 2014	0
Active Primary Realtor/DR count as of 12/31/2013	1575
Active Primary Realtor/DR count as of 4/30/2014	1547
Suspended Realtor/DR as of 4/30/2014	1
Member Benefits Partner as of 4/30/2014	20
Active Affiliates as of 4/30/2014	89

Member Count for HAAR as of 3/31/14

Active Primary Realtor/DR	1548
Member Benefits Partner	24

Member Count for NALMLS as of 4/25/14

Active Realtor/DR	2321
Suspended Realtor/DR	35
Active Affiliates	56

Renewable Contracts:	Purpose	Term	Expires	Amount
UTC (formerly Supra) - Income	ActiveKEY	6 years	3/1/2015	ActiveKEY \$21/holder annually
UTC (formerly Supra) - Income	eKEY	6 years	3/1/2015	eKEY \$2/holder monthly
UTC (formerly Supra) - Expense	Lockboxes	6 years	3/1/2015	\$89 new / \$69 refurb + s/h & tax
UTC (formerly Supra) - Expense	Lockbox key container assembly	6 years	3/1/2015	\$9.30 + s/h & tax
UTC (formerly Supra) - Expense	iPhone adapter	6 years	3/1/2015	\$49.95 + s/h & tax
UTC (formerly Supra) - Expense	eKEY fob	6 years	3/1/2015	\$49.95 + s/h & tax
Chamber of Commerce	Chamber website	annually	4/1/2014	\$ 1,470.00
Chamber of Commerce	HREGI	annually	4/1/2014	\$ 10,000.00
AON Insurance	Professional Liability insurance	annually	4/1/2015	\$ 4,600.00
C.N.A. Insurance	Building insurance	annually	6/1/2014	\$ 1,679.00
Frank Riddick	Governmental Affairs	annually	annually	\$ 12,000.00
Guardian Storage Unit	offsite storage	monthly	monthly	\$ 2,460.00
Intermedia Exchange	Email & shared calendar hosting. Shared w/ NALMLS	annually	2/1/2015	\$ 936.48
Professional Security System	quarterly monitoring	3 year	5/31/2015	\$ 372.00
Elite Pest Control	monthly pest control service	annually	6/1/2014	\$ 900.00
Cooks Pest Control	quarterly termite service	annually	auto renew	\$ 676.00
Conditioned Air Solutions	quarterly preventive maintenace on air units	open	open	\$ 3,888.00
Koorsen Fire Protection	annual fire extinguisher inspection	annually	4/1/2015	\$150 basic charge
NALMLS	Intercompany services & allocation of salaries	3 year	1/1/2016	\$ 21,449.38
NALMLS - POC	Point of contact fee & royalties	3 year	1/1/2016	POC will start in 2013
Waste Away	monthly	monthly	monthly	\$ 936.00
Superior Trimmers	monthly	monthly	monthly	\$ 4,080.00

Capitl Items Purchased:	Amount	Purchased Date
Projector Room B	\$ 9,279.19	1/28/2014
Wireless Array	\$ 6,977.00	2/19/2014

Non Budgeted Items Purchased:	Amount	Vendor	Purchased Date
Light bulbs for conference rooms	\$ 1,740.98	Scott Lighting	2/6/2014
Roof drain repair	\$ 585.00	Buis Roofing	2/19/2014
Service call on refridgerator	\$ 185.93	GE Applcance	3/7/2014
Additional mold & remediation testing of Uj	\$ 1,207.30	Terrell Technical Service	3/26/2014

Transfers from Reserves	Date Approved	Date Transferred	Amount Used	Purpose
--------------------------------	----------------------	-------------------------	--------------------	----------------

\$19,000 6/18/2013 12/23/2013 \$19,000.00 2014 Installation Banquet deposits and expenses. To be repaid in 2014.

Repaid 3/7/2014. Deposited to SouthBank MM#2241.

\$23,000 3/25/2014 4/22/2014 \$22,927.72

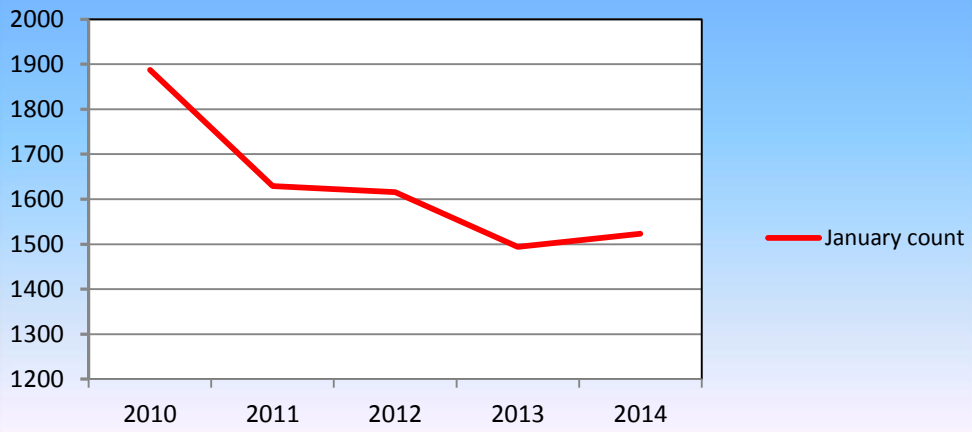
Mold remediation & repairs of upstairs conference room. The initial request for \$17,000 was approved December 17, 2013. On February 25, 2014, O&D approved an increase to \$23,000.

2014 Member Benefits Partners

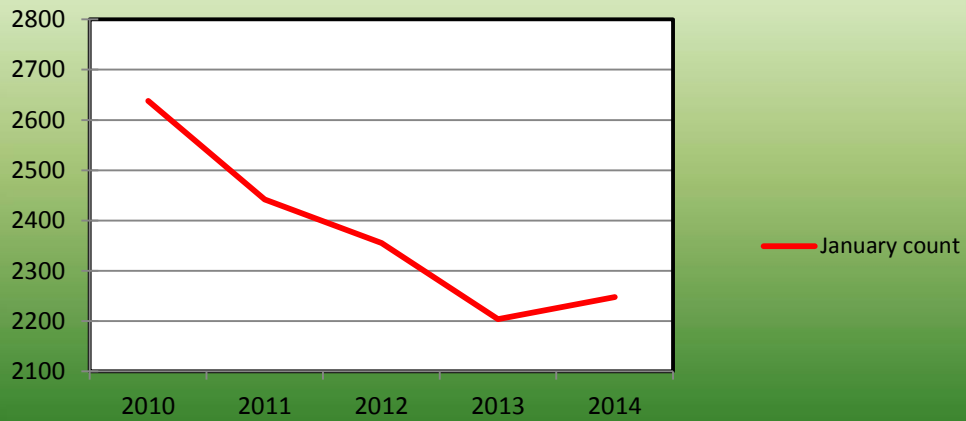
Name	Company	Service
Bubba Conner	Bubba's Silver Spoon Catering	Catering
Patti Mullins	Coleman American Moving Services	Moving & Transporting
Ben Logan	DataPro, LLC	Printing & Promotional Items
Gary Doran	Elite Pest Control	Pest Control
Virgil Allen	Home Financial Services of Huntsville	Loan Services
Ken McFarlen	Jade Communications	Telephone
Jeff McKelvey	Jeff McKelvey Web Design	Web Design
Rhett Lambert	Lambert Record Center	Document Shredding
Ambre Twitty	Sarah Taggart, PC	Legal Services
Gregory Glass	Schlotskys / 5 Guys / Nothing but Noodles	Catering
Sasha England	Smarter Agent	Apps for ValleyMLS
Shea Brandon	Superior Trimmers	Landscaping
Kim Warren	Tennessee Valley Sign & Printing	Printing & Promotional Items
Cuan Tregelles	Valley Hill Country Club	Recreational
Katie England	W & R Studios	Real Estate web based software (CMA)
*Kelly Poblete	Alfa Insurance - Kelly Poblete Agency	Insurance
*Jeff Klimek	Cornerstone Communities, LLC	Home Building & Development
*Peggy Beach	WMG Properties	Commercial Property Mgmt.
*Steven Shaw	Stephens, Millirons, PC	Legal Services
*Lauren Battle	Lankford/Battle Allstate Insurance	Insurance
*Benjamin Cain	Motivated Movers	Moving & Transporting

*New to partnership program

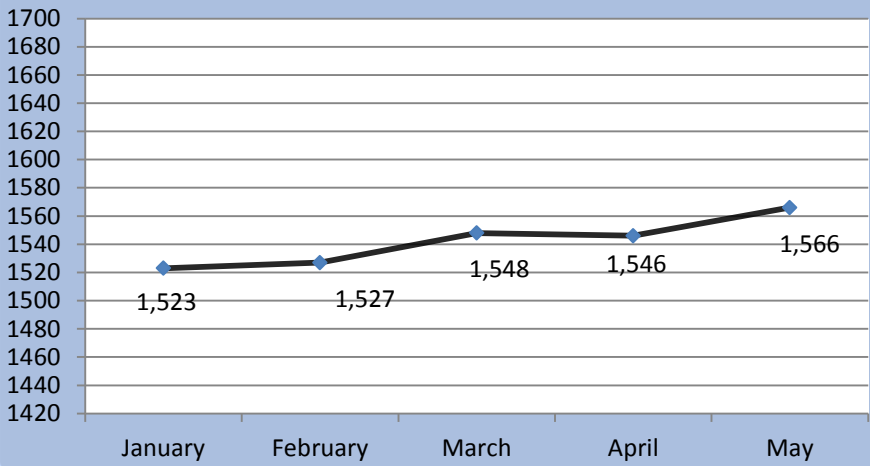
HAAR Membership Trend



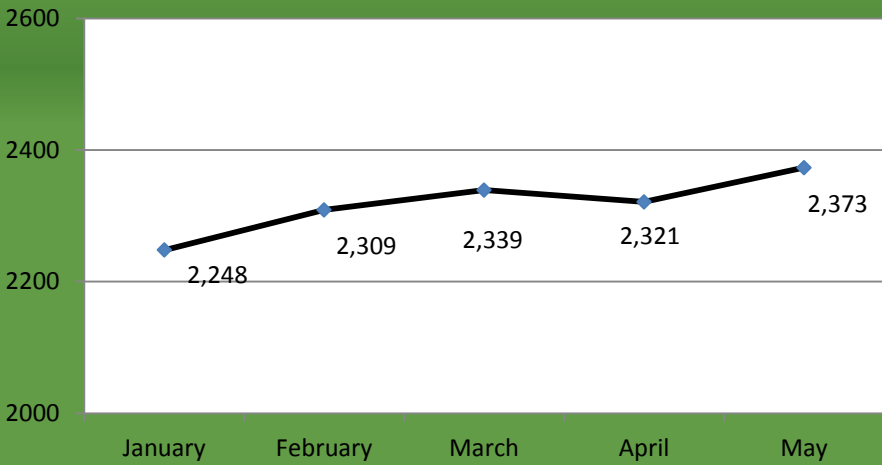
NALMLS Membership Trend



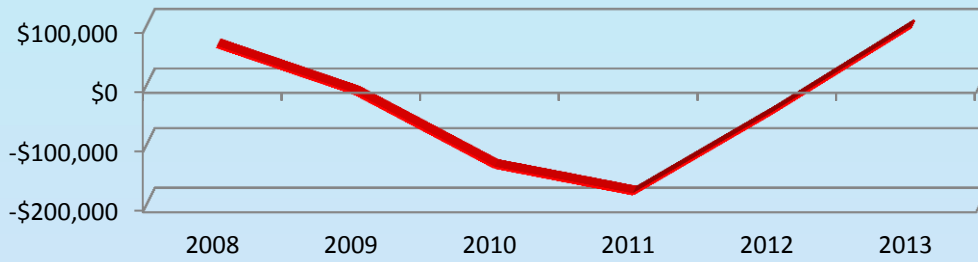
HAAR 2014 Membership Trend



NALMLS 2014 Membership Trend

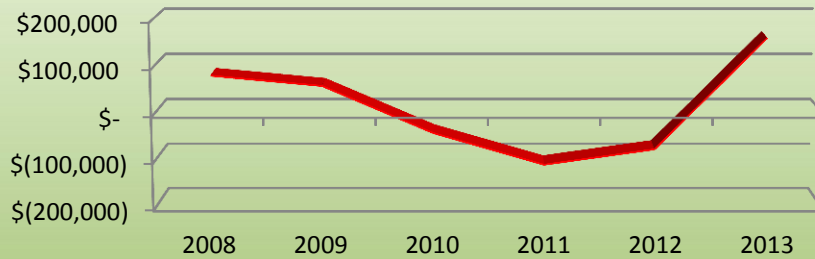


HAAR Net Income



NOTE: In 2012, HAAR changed to the Income Tax Basis of Accounting which eliminates the carryover of NALMLS profit or loss

NALMLS Net Income



HUNTSVILLE AREA ASSOCIATION OF REALTORS

Profit & Loss Budget Overview

January through December 2014

	Jan - Dec 14
Ordinary Income/Expense	
Income	
1502 - Interest Income	2,000.00
1503 - Application Fees	71,820.00
1511 - Gift Card Sponsor Income	1,000.00
1515 - Member Benefits Partner Program	2,500.00
1516 - Newsletter Advertising Income	6,000.00
1520 - Late Fees	6,500.00
1524 - Annual Key Maintenance	36,669.00
152514 - HAAR Dues 2014	181,471.68
1526 - Rent Income - MLS	81,000.00
1527 - Education Income	19,000.00
1527.1 - Orientation Income	9,000.00
1527.2 - Pre/Post Licensing Income	7,980.00
15291 - Banquet Income	27,500.00
1530 - Misc Income	1,000.00
1531 - Building Rental Income	4,000.00
1533 - REALTOR Expo	11,480.00
1533.1 - Technology Expo Income	4,000.00
1535 - ARPAC Event Income	15,000.00
15351 - Arbitration/Mediation Fees	1,500.00
1538 - Maps Income	350.00
1539 - GMM Luncheon Income	20,015.00
1546 - Royalties from NALMLS	35,550.72
1547 - POC from NALMLS	74,064.00
1552 - KeyBoxes	52,500.00
1553 - Supra Activekey Car Charger	250.00
1554 - Supra Ekey Fob	5,794.20
1555 - Supra Replacement Key Container	100.00
1556 - Supra iPhone Adapter	3,776.00
1557 - Supra Return Postage Income	0.00
Total Income	681,820.60
Gross Profit	681,820.60
Expense	
1735 - Accounting	500.00
1735.1 - Audit	24,250.00
1736 - Dues & Subscriptions	3,200.00
1740 - Advertising	6,504.00
1743 - ARPAC (Golden R \$2000)	2,000.00
1743.1 - ARPAC Event Expense	12,500.00
1756 - Bank Svc Charge & CC Processing	6,000.00
1761 - Charitable Projects (\$5,000)	5,000.00
1766 - Copier/Fax	1,800.00
1771 - Chamber of Commerce-HREGI (15K)	10,000.00
1773 - Depreciation Expense	34,800.00
1774 - Amortization Expense	1,200.00
1776 - Education & Seminars	9,500.00
1777 - Pre/Post Licensing Expense	3,980.00
1785 - Grievance Committee	600.00
1786 - Installation Banquet	25,000.00
1806 - Insurance	5,500.00

HUNTSVILLE AREA ASSOCIATION OF REALTORS

Profit & Loss Budget Overview

January through December 2014

	<u>Jan - Dec 14</u>
18271 - Lockbox-SUPRA	39,000.00
18272 - Lockbox Buyback	4,000.00
18274 - ActiveKey Car Charger	100.00
18275 - EKey Fob	4,500.00
18276 - iPhone Adapter	3,200.00
1831 - Legal	4,000.00
1839 - Member Relations	2,000.00
1840 - Governmental Affairs	15,000.00
1843 - Membership Meetings	15,000.00
1845 - Office Expense/Supplies	5,460.00
1846 - Open House	5,000.00
1847 - Business Meetings	6,036.00
1848 - Network Server Maintenance	6,325.00
1850 - Postage	900.00
1853 - Professional Standards Comm	600.00
1854 - REALTOR Expo Expense	8,000.00
1854.1 - Technology Expo Expense	2,500.00
1855 - Printing	1,500.00
18560 - Security System	960.00
18561 - Janitorial Services	6,720.00
18562 - Landscaping & Lawn Care	5,280.00
18563 - Pest Control	1,676.00
18564 - Electrical	1,000.00
18565 - Plumbing	1,000.00
18566 - Heat & A/C	2,296.00
18568 - Repairs and Maintenance	3,000.00
18569 - Waste Dumpster Services	1,136.00
1861 - Special Projects	500.00
1864 - Orientation	4,800.00
1865 - Service from MLS	257,392.50
1867 - Strategic Planning	1,000.00
1870 - Taxes - Property	14,250.00
1873 - Travel	62,725.00
1874 - Telephone	3,000.00
1880 - Utilities	20,500.00
1892 - Miscellaneous	500.00
1990 - Provision for Income Tax	15,000.00
Total Expense	<u><u>678,190.50</u></u>
Net Ordinary Income	<u>3,630.10</u>
Net Income	<u><u>3,630.10</u></u>
Payback of Building Renovation Loan	33,333.33
Building CD#0962 maturity	25,000.00
Net Income	<u><u>4,703.23-</u></u>



HUNTSVILLE AREA ASSOCIATION of REALTORS®

June 20, 2014

Alabama Real Estate Commission
1201 Carmichael Way
Montgomery, AL 36106

Dear Commissioners,

In an effort to ensure that the professional standards of our industry are no longer compromised by less than fully trained and prepared individuals, we as members of the HAAR Education Committee would like to request that the Real Estate Commission conduct a reevaluation of the existing pre-requisites for obtaining a Broker License.

We believe that greater emphasis should be placed on professionalism and education. Professionalism needs to be better defined and the educational requirements should be made more stringent for candidates seeking a Broker's License. We believe this will assist in ensuring they are knowledgeable regarding professional etiquette and in subject matter such as contract law, financing and negotiations, to name a few. As an aside, some other professional designations for Realtors have stricter guidelines and requirements and are more challenging to receive (i.e., GRI and CRS) than, in our humble opinion, are required to earn a Broker's License.

Perhaps the time frame from when one receives his/her license to when one can apply for a Broker's License needs to be extended. At a minimum they should have to wait until they have their permanent license for a longer period of time, have been working real estate full time, and have closed a certain number of transactions prior to eligibility.

These are merely suggestions; however, realize there is a grave concern amongst fellow agents about the image the general public holds of our profession and the lack of professionalism and knowledge being displayed by some Brokers.

We are bringing this matter before you because we understand that your purpose is to protect the general public and we, as Real Estate professionals, support and want to assist you in any way we possibly can. Any consideration given is greatly appreciated. Thank you.

Sincerely,

April Parker
2014 HAAR Education Committee Chair



HUNTSVILLE AREA ASSOCIATION of REALTORS®

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Sincerely,

April Parker
2014 HAAR Education Committee Chair

TRAK[®]
Fund Solution

A personalized investment plan for

HAAR

Prepared by:

PHILLIPS, JAMES
FINANCIAL ADVISOR

ENGEL, MICHAEL
FINANCIAL ADVISOR

Morgan Stanley
60 EAST SOUTH TEMPLE, 20TH FL
SALT LAKE CITY, UT, 84111
8013224711

Morgan Stanley

TABLE OF CONTENTS

HAAR

May 28, 2014

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I. INVESTMENT PROFILE

HAAR

May 28, 2014

YOUR INVESTMENT PROFILE

One of the advantages of a consulting relationship is that it provides an objective framework for making investment decisions. This process often includes the development of a personalized, long-term investment strategy.

Consulting Group's four-step investment process is designed to help investors seek to achieve their investment objectives, attain portfolio diversification and reduce risks over time.

- } STEP ONE: Set Investment Objectives
Financial Advisors help you to define your investment objectives based on three critical factors: your goals, time horizon and risk tolerance.
- } STEP TWO: Define Investment Strategy
Based on your investment objectives, your Financial Advisor recommends an asset allocation strategy designed to provide proper diversification.
- } STEP THREE: Evaluate and Select Investment Products
Financial Advisors help you to identify investment products that may be most appropriate given your asset allocation strategy.
- } STEP FOUR: Ongoing Review Process
Financial Advisors consult with you periodically to determine whether short-term or long-term changes are needed in the asset allocation strategy or investment products in your portfolio.

For more information on Consulting Group's Four-Step Process, please speak to your Financial Advisor.

Step 1: Set Investment Objectives

Our discussion of your financial needs and goals was the start of the process that enabled us to learn about you as an investor. The following information depicts our understanding of your investment objectives and risk tolerance for your proposed Morgan Stanley Consulting Group TRAK Fund Solution account.

Please review this information carefully. If you do not agree with this or any other information included in this proposal, please notify your Financial Advisor immediately. Also, please notify your Financial Advisor immediately of any change in the information in this proposal (including any change in your investment objectives or risk tolerance). To the extent that the investment suitability and objectives information noted below conflicts with any other information you communicate to us (e.g., via telephone, e-mail, or Investment Policy Statement), the information contained in this proposal shall control with respect to the management of this account.

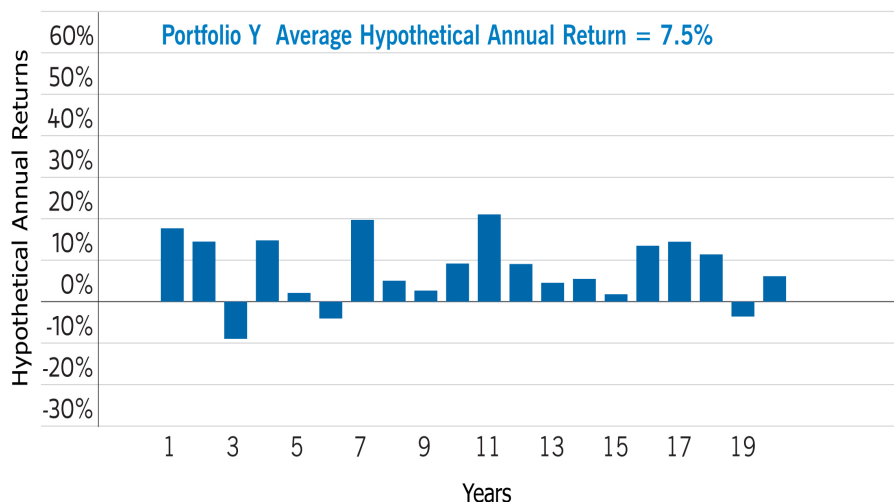
- } Your primary purpose for opening this account with Morgan Stanley is wealth accumulation.
- } Morgan Stanley understands you will not need to receive income on a regular basis.
- } You expect to begin withdrawing funds from this account in 11 to 20 years, for your primary investment objective.

I. INVESTMENT PROFILE

HAAR

May 28, 2014

- Once you begin to withdraw funds from this account for your primary investment objective, you anticipate that you will withdraw all funds within 11 to 20 years.
- For this account, you are primarily concerned with limiting risk. You are willing to accept lower target returns to limit your chance of loss.
- Given your investment goals for this account, you would choose a hypothetical portfolio over a 20 year period similar to the following:



This portfolio is constructed to seek moderate annual returns, risk and volatility. Please note that this is a hypothetical example only, for the purpose of gauging your tolerance for risk. This does not represent any actual historical results and does not include fees or charges that would lower your return. Actual results of any particular account may be less than the "Hypothetical Annual Returns" and "Average Hypothetical Annual Return" shown above, and may be negative.

- The risk of a portfolio suffering a decrease in value (having a negative return) is often a primary concern for investors. In seeking to achieve potentially higher returns, however, an investor must be willing to accept greater risk. Given your investment objective for this account, you would be most comfortable investing this account in a hypothetical portfolio similar to the following:

Portfolio	Hypothetical Value of \$100,000 After 1 Year	Hypothetical Chance of Losing Money After 1 Year
Portfolio A	\$105,600	3.5%

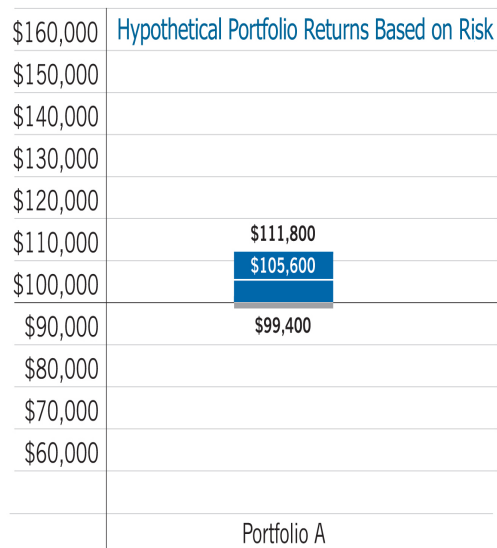
This portfolio is constructed to accept a lower hypothetical value, but also to seek a lower chance of losing money, after one year. Please note that this is a hypothetical example only, for the purpose of gauging your tolerance for risk. This does not represent any actual historical results and does not include fees or charges that would lower your return. Actual results of any particular account may be less than the "Hypothetical Value" shown above, and may be negative.

I. INVESTMENT PROFILE

HAAR

May 28, 2014

- › The bar chart below shows a range of hypothetical one-year ending values for a \$100,000 initial investment in a portfolio. The hypothetical value of the average return for that portfolio is shown in the center of the bar. Given possible outcomes for various portfolios, you would consider the following hypothetical portfolio to be suitable for you in light of your investment objective for this account:



At the end of a given year, this portfolio has hypothetical ending values between \$111,800 (11% return) and \$99,400 (negative 1% return). The hypothetical average ending value of this portfolio after one year is approximately \$105,600 (6% return). This portfolio is constructed to accept a lower hypothetical average ending value, but also to seek a narrower range of one-year ending values.

It is important to remember that a hypothetical portfolio such as that shown above is more likely to achieve the average return over long-term holding periods. Please note that this is only a hypothetical example, for the purpose of measuring your tolerance for risk. Actual results will vary, and may be worse than the lowest outcome shown on the bar chart above. This bar chart does not represent any actual historical results and does not include fees or charges that would lower your return.

- › Inflation can greatly erode the return on your investments, especially over time. For this account, you prefer to minimize short-term fluctuations in portfolio value (and the potential for loss) as much as possible, even if it means that your portfolio has the potential to only keep pace with or slightly exceed inflation (and might not keep up with inflation).
- › Sometimes investment losses are permanent, sometimes they are prolonged, and sometimes they are short lived. Morgan Stanley understands that if you experienced substantial investment losses, you would wait one to two quarters before adjusting your portfolio.

II. PORTFOLIO STRATEGY RECOMMENDATIONS

HAAR

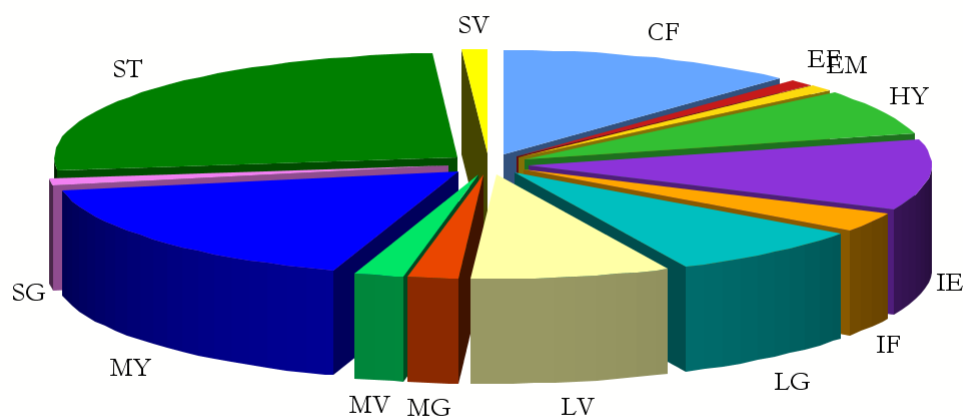
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ASSET ALLOCATION

Step 2: Define Investment Strategy

Asset allocation is one of the most effective investment techniques investors can employ. The appropriate asset allocation policy can provide diversification of your portfolio, lower overall portfolio fluctuation and position your portfolio to take advantage of developing investment opportunities. This is conducted by apportioning your portfolio among different types of investments that may include stocks, bonds, money market instruments and other asset categories. While it is a widely held opinion that diversification is a prudent investment technique, diversification does not ensure against loss.

The following strategic mix of asset classes is either the asset allocation we recommend for you based on your investment objectives or a custom allocation that you have selected based on your preferences.



Asset Class

CG Allocation

Money Market Funds	17%
(MY) Money Market Funds	17%
Equity	34%
(LG) US Large Growth Equity	8%
(LV) US Large Value Equity	8%
(MG) US Mid Cap Growth Equity	2%
(MV) US Mid Cap Value Equity	2%
(SG) US Small Growth Equity	1%
(SV) US Small Value Equity	1%
(IE) International Equity	11%
(EM) Emerging Markets Equity	1%
Fixed Income	49%
(ST) US Short-Term Fixed Inc	26%

Consulting Group

II. PORTFOLIO STRATEGY RECOMMENDATIONS

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Asset Class	CG Allocation
(CF) US Core Fixed Inc	12%
(IF) International Fixed Income	3%
(HY) High Yield Fixed Income	7%
(EF) Emerging Markets Fixed Income	1%
Total:	100%

* Due to rounding, total may not add up to 100%.

II. PORTFOLIO STRATEGY RECOMMENDATIONS

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YOUR PORTFOLIO

Step 3: Evaluate and Select Investment Products

Our Consulting Group Investment Advisor Research department (“CG IAR”) evaluates most investment products offered in the Trak Fund Solution program. CG IAR then reviews these investment products periodically to ensure that they continue to meet Consulting Group's standards. CG IAR does not evaluate investment products affiliated with us (including investment products with “Morgan Stanley,” “CGCM,” or “GIS” in their names).

In addition, we will monitor the investment products you ultimately select for your portfolio. The purpose of this process is to evaluate whether the investment products selected continue to be compatible with your stated investment objectives and tolerance for risk.

The table below illustrates the percentage of your assets that would be invested in the investment products listed if this proposal is accepted.

TRAK Model 2

ASSET CLASS	FUND %	FUND NAME	FUND BENCHMARK
Money Market Funds	17.00%	Invesco Treas Prem Port Fd	90-Day T-Bills
US Large Growth Equity	8.00%	Columbia Select Lg Grow Fd	Russell 1000 Gr
US Large Value Equity	8.00%	Oakmark I	Russell 1000 VI
US Mid Cap Growth Equity	2.00%	Ivy Mid Cap Growth Fd	Russell Mid Cap Gr
US Mid Cap Value Equity	2.00%	Ariel Appreciation Fd	Russell Mid Cap VI
US Small Growth Equity	1.00%	Baron Growth Retail	Russell 2000 Gr
US Small Value Equity	1.00%	Delaware Small Cap Value A	Russell 2000 VI
International Equity	11.00%	Thornburg Intl Growth Fund	MSCI AC World ex US Net
Emerging Markets Equity	1.00%	Harding Loevner Int Fr Em Mkts	MSCI EFM Net
US Short-Term Fixed Inc	26.00%	BlackRock Low Dur Bd Inv A	ML Tsy 1-3 Yr - G1O2
US Core Fixed Inc	12.00%	Metropolitan WST Total Rtn BD	BC Aggregate
International Fixed Income	3.00%	PIMCO Foreign Bond	Citi Non-US WGBI Unh
High Yield Fixed Income	7.00%	Blackrock High yield Bond	BC Corp HY
Emerging Markets Fixed	1.00%	Lord Abbett Em mkts Currenc Fd	JPM EMBI Gbl

III. PERFORMANCE REVIEW

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Mutual Fund Performance

The mutual fund performance below shows the average annual total return of the mutual funds included in the proposal for the periods shown below. To the extent that any of these funds include a sales load, the effect of such a load is reflected in the performance quotations. We are required to illustrate the maximum possible effect of the load by applicable law; however, if you accept this proposal, the funds purchased for you through this program will have such sales loads waived. However, your account will be charged the TRAK Fund Solution fee, so your returns would differ from – and be lower than – those shown below.

The impact of TRAK Fund Solution program fees can be material. These program fees are deducted quarterly and have a compounding effect on performance. For example, on an account with a 1% annual fee, if the gross annual performance is 6%, the compounding effect of the fees will result in a net performance of approximately 4.94% after one year, 4.81% after three years and 4.66% after five years. See the TRAK Fund Solution ADV brochure for an explanation of the fees and charges that would apply if you invest in a mutual fund through the TRAK Fund Solution program.

As with any mutual fund investment, you should consider the investment objectives, risks and charges and expenses of the funds carefully before investing. Your Financial Advisor is available to discuss these issues in detail with you. Additionally, the prospectus of each fund contains such information and other information about the fund. Prospectuses and current performance data are available on our website at www.morganstanley.com/ADV or through your Financial Advisor.

The performance data set forth below represents past performance. Past performance does not guarantee future results. Investment returns and principal value of an investment will fluctuate so that an investor's shares may be worth more or less than their original cost upon redemption. Current performance may be lower or higher than the performance data quoted. For funds with multiple share classes, the data may represent the actual performance of the oldest share class prior to the inception of newer share classes. This data is adjusted to reflect the expenses of the newer share classes.

Performance data as of the most recent month-end may be obtained by contacting your Financial Advisor, calling the fund company at the toll-free telephone number shown in this proposal, or through www.morganstanley.com/ADV.

Gross Expense Ratio reflects the annual percentage of a fund's assets paid out in expenses which include any 12b-1, transfer agent and all other asset-based fees associated with a fund's daily operations and distribution.

Net Expense Ratio reflects actual expenses paid by a fund as well as any fee waivers or expense reimbursements, which may be voluntary or mandated by contract for a certain time period. Specific details about expense ratios are outlined in a fund's prospectus.

Average Annual Total Returns as of March 2014

Fund Name	Symbol	Inception Date	1-Year Return	5-Year Return	10-Year Return	Since Inception	Gross Expense Ratio	Net Expense Ratio	Phone Number
Baron Growth Retail	BGRFX	1994/12	22.21%	24.03%	9.77%	13.96%	1.30%	1.30%	--
Blackrock High yield Bond	BHYAX	1998/11	8.79%	18.34%	8.43%	7.71%	0.98%	0.92%	800-441-7762
BlackRock Low Dur Bd Inv A	BLDAX	1992/07	0.97%	4.86%	2.66%	3.98%	0.97%	0.81%	800-441-7762
Ariel Appreciation Fd	CAAPX	1989/12	25.32%	28.77%	8.54%	11.42%	1.13%	1.13%	312-726-0140

Consulting Group

III. PERFORMANCE REVIEW

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Average Annual Total Returns as of March 2014 (Cont'd)

Fund Name	Symbol	Inception Date	1-Year Return	5-Year Return	10-Year Return	Since Inception	Gross Expense Ratio	Net Expense Ratio	Phone Number
Delaware Small Cap Value A	DEVLX	1987/06	21.49%	24.93%	9.29%	11.85%	1.25%	1.25%	215-255-2300
Columbia Select Lg Grow Fd	ELGAX	1994/08	29.18%	23.12%	9.88%	6.69%	1.15%	1.15%	--
Harding Loevner Int Fr Em Mkts	HLMOX	2008/06	13.47%	18.45%	NA	-1.36%	2.64%	2.25%	--
Invesco Treas Prem Port Fd	IPPXX	2005/02	0.00%	0.11%	NA	1.81%	0.25%	0.18%	--
Lord Abbett Em mkts Currenc Fd	LDMAX	1988/09	-2.20%	5.61%	2.71%	5.26%	1.01%	1.01%	201-827-2000
Metropolitan WST Total Rtn BD	MWTRX	1997/03	1.07%	9.23%	6.30%	7.07%	0.61%	0.61%	--
Oakmark I	OAKMX	1991/08	28.17%	25.44%	8.89%	12.83%	0.95%	0.95%	--
PIMCO Foreign Bond	PFUAX	2004/05	1.45%	9.87%	NA	5.73%	0.93%	0.90%	866-746-2602
Thornburg Intl Growth Fund	TIGAX	2007/02	16.71%	25.09%	NA	8.85%	1.41%	1.41%	--
Ivy Mid Cap Growth Fd	WMGAX	2000/06	20.09%	24.00%	10.70%	7.18%	1.31%	1.31%	--

Performance data quoted represents past performance, and past performance does not guarantee future results. Investment return and principal value of an investment will fluctuate; thus, an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Performance data current to the most recent month-end may be obtained by contacting your Financial Advisor, calling the fund directly at the toll-free telephone number listed directly above, or through www.morganstanley.com/ADV.

III. PERFORMANCE REVIEW

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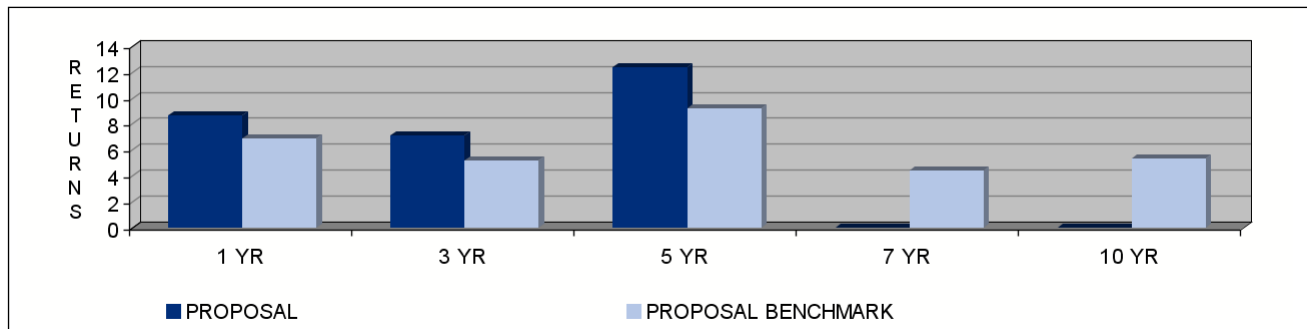
The performance data designated as “Proposal” below on this page and on each of the following pages of this proposal is intended to model what the return of your portfolio would have been had you been invested in the mutual funds recommended in the proposal, in the percentages recommended, over the time periods shown.

These returns are hypothetical returns based on a simulated account (not an actual account). You would not necessarily have obtained these performance results if you had held this portfolio for the periods indicated. Actual performance results of accounts vary due to factors such as timing of contributions and withdrawals, and rebalancing schedules. Also, fees would apply to, and reduce the performance of, mutual funds included in this hypothetical portfolio. The selection of mutual funds in this proposal reflects the benefit of hindsight based on historical rates of return.

The data designated as “Proposal Benchmark” is derived from the stated benchmark of each mutual fund included in the proposal and also weighted according to the percentages in the recommendation. The performance statistics have been blended to reflect the weightings set forth in our recommendation. As noted above, past performance does not guarantee or predict future results.

PERFORMANCE STATISTICS BEFORE FEES*

Annualized Returns



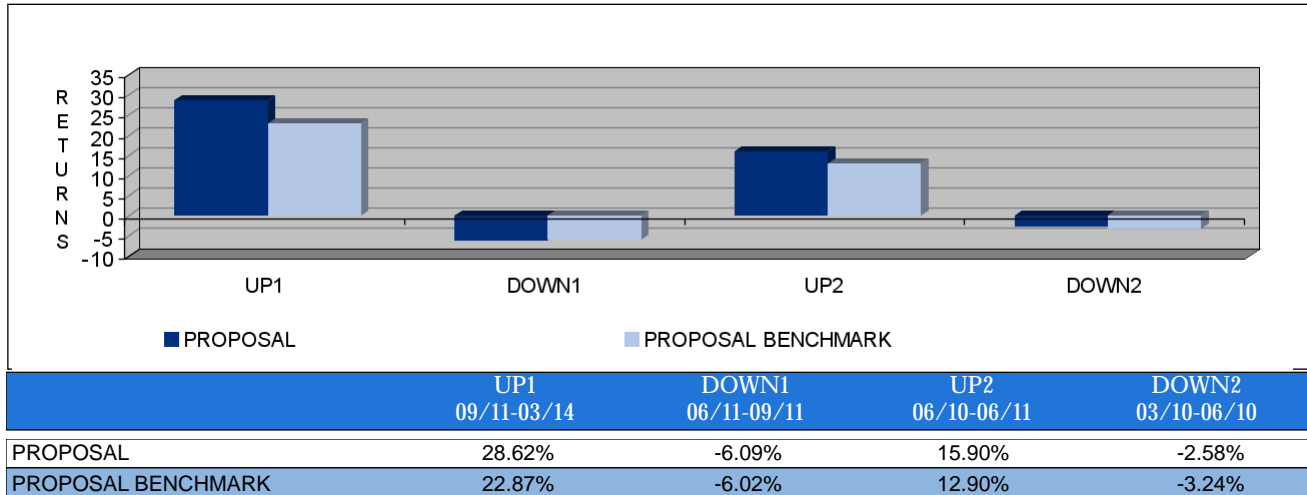
AS OF 03/31/14	1 YR	3 YR	5YR	7 YR	10 YR
PROPOSAL	8.64%	7.10%	12.37%	N/A	N/A
PROPOSAL BENCHMARK	6.86%	5.18%	9.23%	4.40%	5.31%

III. PERFORMANCE REVIEW

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Analysis of Up and Down Markets



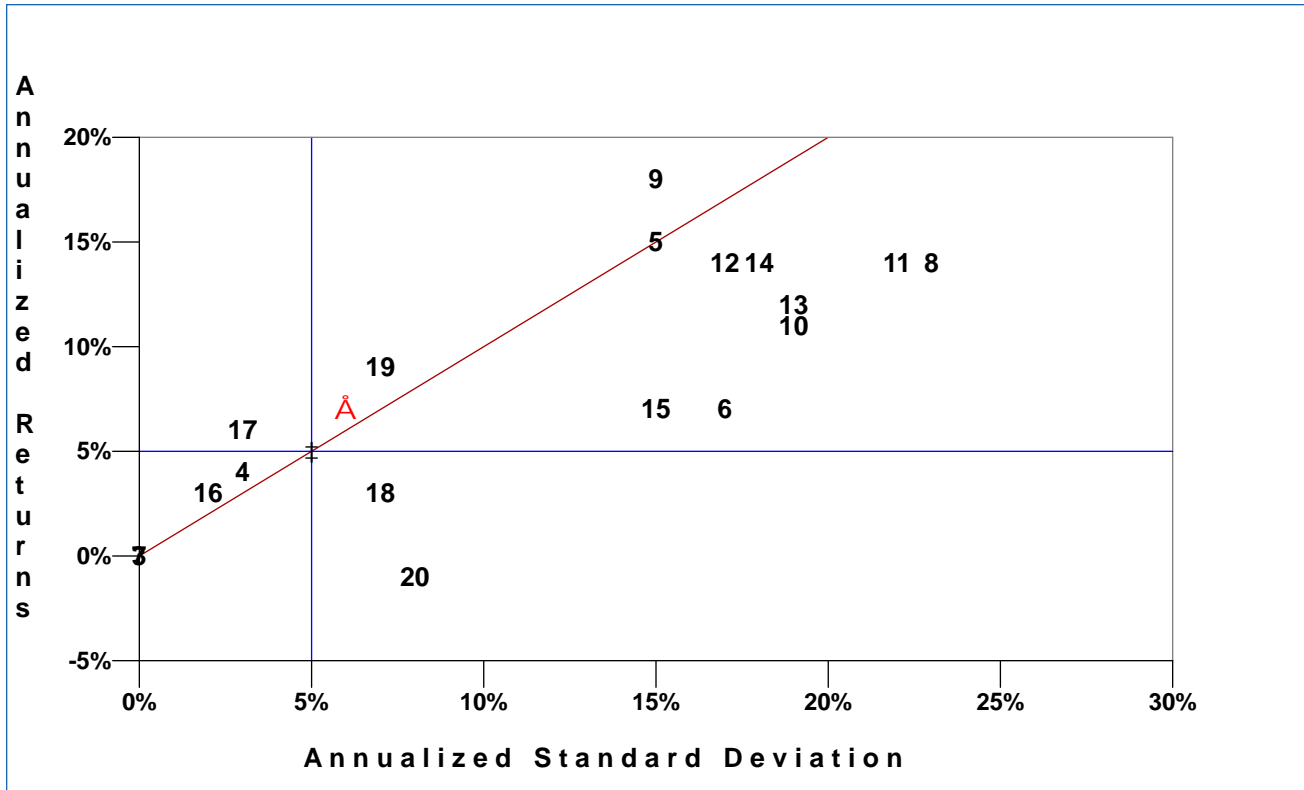
*See discussion of “UP1,” “DOWN1,” “UP2,” “DOWN2,” “Standard Deviation,” “Risk-Return Analysis,” and “Proposal Benchmark” in the Glossary of Terms at the end of this proposal.

III. PERFORMANCE REVIEW

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3-YEAR RISK/RETURN ANALYSIS BEFORE FEES*



AS OF 03/31/14	RATE OF RETURN	STANDARD DEVIATION
Ⓐ PROPOSAL	7.10%	5.84%
‡ PROPOSAL BENCHMARK	5.18%	5.33%
3 90-DAY TREASURY BILLS	0.06%	0.01%
4 LB AGG BOND INDEX	3.75%	3.11%
5 S&P 500 INDEX	14.66%	15.17%
6 MSCI EAFE INDEX - NET OF DIVIDENDS	7.22%	16.80%
7 Invesco Treas Prem Port Fd	0.07%	0.03%
8 Columbia Select Lg Grow Fd	13.60%	22.62%
9 Oakmark I	18.05%	15.37%
10 Ivy Mid Cap Growth Fd	11.02%	18.62%
11 Ariel Appreciation Fd	14.38%	22.44%
12 Baron Growth Retail	14.30%	17.03%

*See discussion of "UP1," "DOWN1," "UP2," "DOWN2," "Standard Deviation," "Risk-Return Analysis," and "Proposal Benchmark" in the Glossary of Terms at the end of this proposal.

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AS OF 03/31/14	RATE OF RETURN	STANDARD DEVIATION
13 Delaware Small Cap Value A	12.37%	18.57%
14 Thornburg Intl Growth Fund	13.69%	17.97%
15 Harding Loevner Int Fr Em Mkts	6.75%	15.07%
16 BlackRock Low Dur Bd Inv A	2.50%	1.57%
17 Metropolitan WST Total Rtn BD	5.64%	3.17%
18 PIMCO Foreign Bond	3.24%	6.95%
19 Blackrock High yield Bond	9.14%	6.88%
20 Lord Abbett Em mkts Currenc Fd	-0.55%	8.30%

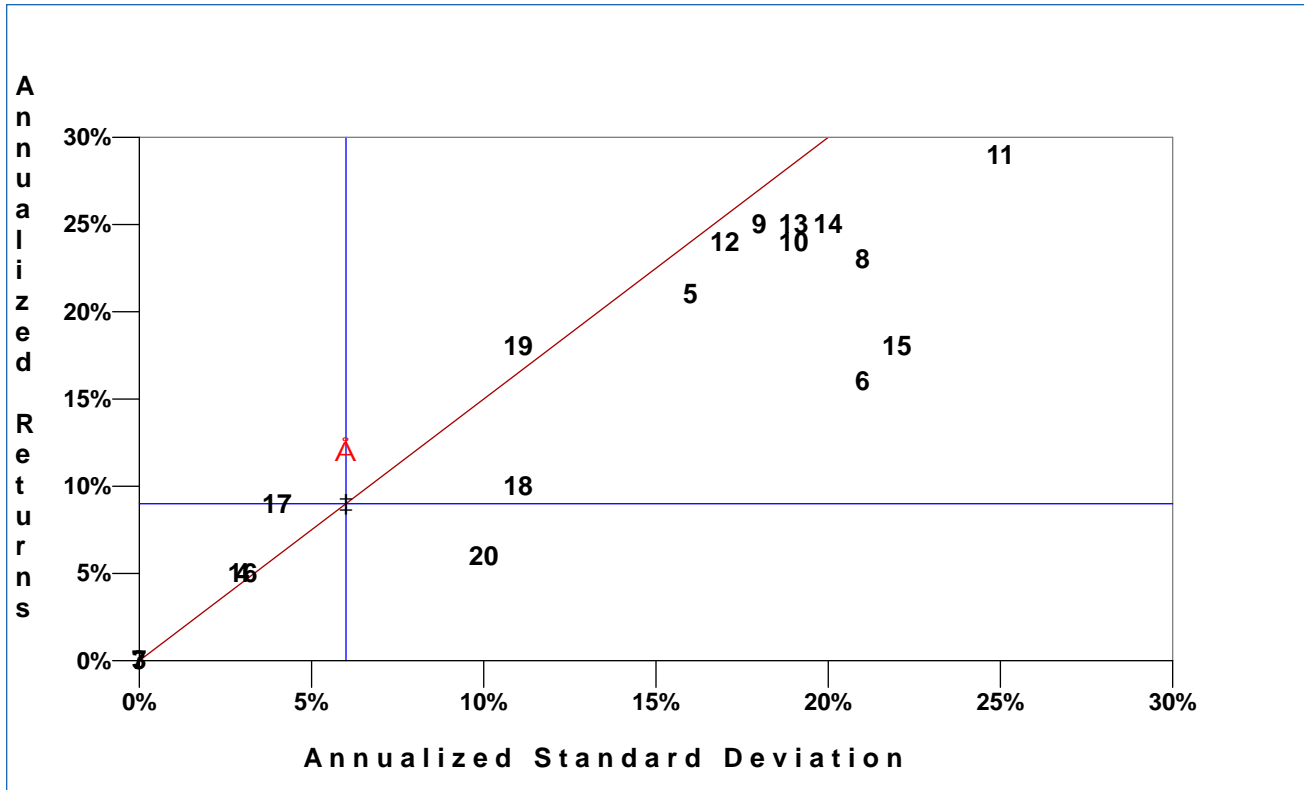
*See discussion of "UP1," "DOWN1," "UP2," "DOWN2," "Standard Deviation," "Risk-Return Analysis," and "Proposal Benchmark" in the Glossary of Terms at the end of this proposal.

III. PERFORMANCE REVIEW

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5-YEAR RISK/RETURN ANALYSIS BEFORE FEES*



AS OF 03/31/14	RATE OF RETURN	STANDARD DEVIATION
▲ PROPOSAL	12.37%	6.49%
‡ PROPOSAL BENCHMARK	9.23%	6.01%
3 90-DAY TREASURY BILLS	0.09%	0.02%
4 LB AGG BOND INDEX	4.80%	3.22%
5 S&P 500 INDEX	21.16%	16.07%
6 MSCI EAFE INDEX - NET OF DIVIDENDS	16.02%	20.60%
7 Invesco Treas Prem Port Fd	0.12%	0.07%
8 Columbia Select Lg Grow Fd	23.13%	21.47%
9 Oakmark I	25.45%	17.74%
10 Ivy Mid Cap Growth Fd	24.01%	19.47%
11 Ariel Appreciation Fd	28.78%	25.43%
12 Baron Growth Retail	24.04%	17.19%

*See discussion of "UP1," "DOWN1," "UP2," "DOWN2," "Standard Deviation," "Risk-Return Analysis," and "Proposal Benchmark" in the Glossary of Terms at the end of this proposal.

III. PERFORMANCE REVIEW

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AS OF 03/31/14	RATE OF RETURN	STANDARD DEVIATION
13 Delaware Small Cap Value A	24.93%	19.16%
14 Thornburg Intl Growth Fund	25.09%	19.68%
15 Harding Loevner Int Fr Em Mkts	18.46%	22.15%
16 BlackRock Low Dur Bd Inv A	4.86%	2.79%
17 Metropolitan WST Total Rtn BD	9.23%	4.37%
18 PIMCO Foreign Bond	9.88%	10.54%
19 Blackrock High yield Bond	18.34%	10.54%
20 Lord Abbett Em mkts Currenc Fd	5.61%	10.15%

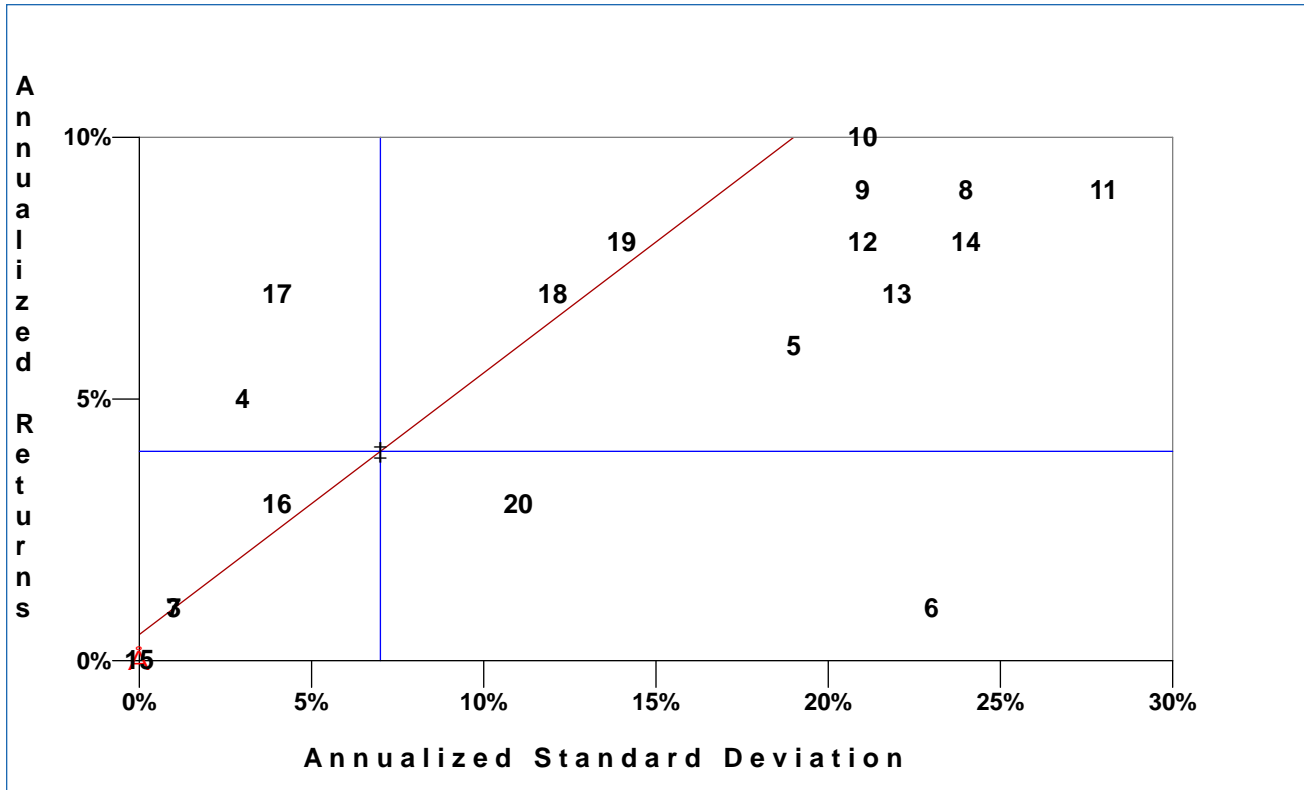
*See discussion of "UP1," "DOWN1," "UP2," "DOWN2," "Standard Deviation," "Risk-Return Analysis," and "Proposal Benchmark" in the Glossary of Terms at the end of this proposal.

III. PERFORMANCE REVIEW

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7-YEAR RISK/RETURN ANALYSIS BEFORE FEES*



AS OF 03/31/14	RATE OF RETURN	STANDARD DEVIATION
Ⓐ PROPOSAL	N/A	N/A
‡ PROPOSAL BENCHMARK	4.40%	7.27%
3 90-DAY TREASURY BILLS	0.69%	0.66%
4 LB AGG BOND INDEX	4.96%	3.43%
5 S&P 500 INDEX	6.31%	19.19%
6 MSCI EAFE INDEX - NET OF DIVIDENDS	1.29%	22.79%
7 Invesco Treas Prem Port Fd	1.08%	0.88%
8 Columbia Select Lg Grow Fd	9.45%	23.79%
9 Oakmark I	9.00%	20.52%
10 Ivy Mid Cap Growth Fd	9.78%	21.32%
11 Ariel Appreciation Fd	8.67%	27.59%
12 Baron Growth Retail	8.01%	20.67%

*See discussion of "UP1," "DOWN1," "UP2," "DOWN2," "Standard Deviation," "Risk-Return Analysis," and "Proposal Benchmark" in the Glossary of Terms at the end of this proposal.

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AS OF 03/31/14	RATE OF RETURN	STANDARD DEVIATION
13 Delaware Small Cap Value A	7.40%	22.13%
14 Thornburg Intl Growth Fund	8.38%	23.93%
15 Harding Loevner Int Fr Em Mkts	N/A	N/A
16 BlackRock Low Dur Bd Inv A	2.84%	4.02%
17 Metropolitan WST Total Rtn BD	7.00%	4.42%
18 PIMCO Foreign Bond	6.66%	11.76%
19 Blackrock High yield Bond	8.17%	14.04%
20 Lord Abbett Em mkts Currenc Fd	2.88%	10.71%

*See discussion of "UP1," "DOWN1," "UP2," "DOWN2," "Standard Deviation," "Risk-Return Analysis," and "Proposal Benchmark" in the Glossary of Terms at the end of this proposal.

IV. SUMMARY OF SERVICES

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STEP 4: Ongoing Review Process

After your investment products have been selected, your Financial Advisor will periodically monitor your account's performance. Consulting Group believes that an investment management program does not end with the initial selection of a strategy. Periodic evaluation and monitoring of your account and your long-term investment objectives help you to make periodic adjustments.

Morgan Stanley will provide you with periodic reports showing your account performance. Many Financial Advisors invite clients to review these reports with them either in one-on-one meetings or over the telephone.

Should your financial objectives change, please notify your Financial Advisor so they can reassess your overall investment strategy and suggest appropriate adjustments.

The following services will be provided to you as part of the TRAK Fund Solution program fee.

Consulting Services

- } Define investment objectives and risk tolerance levels
- } Develop customized asset allocation strategies
- } Recommend appropriate investment products
- } Review performance against investment objectives
- } Rebalance portfolios periodically (optional)
- } Provide manager research reports and periodic economic commentary

Account Services

- } Trade executions
- } Custody services and safekeeping of securities
- } Automatic investment of cash balances

Communications (as required by client)

- } Comprehensive periodic reports summarizing performance and portfolio activity
- } Monthly account statements
- } Trade confirmation of every transaction (unless you request otherwise)
- } Periodic review of investment objectives

V. FEE SCHEDULE

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Morgan Stanley Fee

0 - \$ 99,999	1.0000%
\$ 100,000 - \$ 249,999	1.0000%
\$ 250,000 - \$ 499,999	1.0000%
\$ 500,000 - \$ 999,999	1.0000%
\$ 1,000,000 - \$ 1,999,999	1.0000%
\$ 2,000,000 - \$ 4,999,999	1.0000%
Amount Over \$5,000,000	1.0000%

Estimated Total Client Fee Rate¹

Morgan Stanley Fee	1.0000%
Total Effective Rate (%)	1.0000%

¹ The Estimated Total Client Fee Rate is based on the account asset value shown in the Investment Profile section above. The actual Total Client Fee Rate may vary depending on the account asset value. The TRAK Fund Solution Fee does not include each fund's total operating expenses (which are charged directly by the fund). From time to time, certain additional fees may apply. For more details, see the TRAK Fund Solution ADV brochure, available from your Financial Advisor or at www.morganstanley.com/ADV.

VI. GLOSSARY OF TERMS

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90-day Treasury Bill Index: An unweighted average of weekly auction offering rates of 90-day Treasury bills. Treasury bills are backed by the full faith and credit of the U.S. government.

Barclays Capital Aggregate Index: The U.S. Aggregate Index covers the dollar-denominated investment-grade fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS pass-through securities, asset-backed securities, and commercial mortgage-based securities. These major sectors are subdivided into more specific subindices that are calculated and published on an ongoing basis. Total return comprises price appreciation/depreciation and income as a percentage of the original investment. This index is rebalanced monthly by market capitalization.

Custom Allocation: Indicates that you have selected the “custom” version of the asset allocation model and have created a customized asset allocation instead of utilizing a model pre-defined by us.

Down1: A portfolio’s performance during the most recent “down” cycle in a market. The most recent “down” cycle consists of the most recent quarter in which market performance (as measured by the benchmark) was less than zero. However, if the most recent such quarter was the last in a series of successive quarters in which market performance was less than zero, the most recent “down” cycle consists of that series of successive quarters. (For example, if the last “down” quarter was the fifth successive “down” quarter, then the most recent “down” cycle is the period consisting of those five successive quarters.) The length of the Down1 period may be different from that of the Up1, Up2 and Down2 periods.

Down2: A portfolio’s performance during the second most recent “down” cycle in a market. See the definition of “Down1” for how we determine “down” cycles.

MSCI EAFE Index(Net): The MSCI EAFE Index (Europe, Australasia, Far East) (net) is a free float-adjusted market capitalization index that is designed to measure equity performance of developed markets, excluding the U.S. & Canada. The MSCI EAFE Index consists of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom (as of May 2011). 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.

Proposal Benchmark: This is a blend of the individual investment products’ benchmarks in an allocation equal to the proposal. For example, if the proposal has a 50% US Large Cap Core Equity and a 50% US Core Fixed Income allocation, the Proposal Benchmark would be 50% S&P 500 Index + 50% BC Aggregate Bond Index. The calculation of this blend assumes monthly rebalancing of the weighting of individual product benchmarks back to the target allocation and is likely to differ from actual practice in client accounts. For additional information regarding your Proposal Benchmark, please contact your Morgan Stanley Financial Advisor.

Risk-Return Analysis: On the risk-return graphs, also known as scattergrams or scatterplots, each point on the analysis represents both the return and risk of the proposal and benchmarks. Risk, defined as standard deviation, is measured along the x-axis, while return is measured along the y-axis. The vertical and horizontal lines drawn through the proposal or benchmark divide the graph into four quadrants. The northwest quadrant is sometimes regarded as the most desirable quadrant since any point falling there has both return exceeding the benchmark and less risk than the benchmark. In general, anything plotted to the northwest of another point on the graph is considered to have outperformed the other on a risk-adjusted basis. Historical risk-adjusted performance is not a predictor of future risk-adjusted performance.

VI. GLOSSARY OF TERMS

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S&P 500 Index: Widely regarded as the best single gauge of the U.S. equities market, this world-renowned index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the S&P 500 focuses on the large-cap segment of the market, with over 80% coverage of U.S. equities, it is also an ideal proxy for the total market.

Standard Deviation: The statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution. The standard deviation of performance can be calculated for each security and for the portfolio as a whole. The greater the degree of dispersion, the greater the risk.

Up1: A portfolio's performance during the most recent "up" cycle in a market. The most recent "up" cycle consists of the most recent quarter in which market performance (as measured by the benchmark) was greater than zero. However, if the most recent such quarter was the last in a series of successive quarters in which market performance was greater than zero, the most recent "up" cycle consists of that series of successive quarters. (For example, if the last "up" quarter was the fifth successive "up" quarter, then the most recent "up" cycle is the period consisting of those five successive quarters.) The length of the Up1 period may be different from that of the Up 2, Down1 and Down2 periods.

Up2: A portfolio's performance during the second most recent "up" cycle in a market. See the definition of "Up1" for how we determine "up" cycles.

VII. DISCLOSURES

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IMPORTANT DISCLOSURES

All mutual fund products are sold by prospectus, which contains more complete information about the fund. Please contact your Financial Advisor for copies. Please read the prospectus and consider the fund's objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other information about the fund.

Although the statements of fact and data in this proposal have been obtained from, and are based upon, sources that we believe to be reliable, we do not guarantee their accuracy, and any such information may be incomplete or condensed. All opinions included in this proposal constitute our judgment as of the date of this proposal and are subject to change without notice. This proposal is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. Past performance is not a guarantee of future results.

Composite performance located in the Performance Review section does not reflect actual performance of a blended portfolio, but does reflect the historical application of the respective allocations shown on the previous pages to actual historical performance for each of the component asset classes. For specific performance information with respect to an individual component fund's performance, please refer to the accompanying pages.

There is no guarantee that past performance information about the fund or information relating to return, volatility, style reliability and other fund attributes will be predictive of future results. The value of an investor's shares will fluctuate and, when redeemed, may be worth more or less than the investor's cost.

If investing in mutual funds that invest in small capitalization companies, you should be aware that these companies may be subject to higher volatility than larger, more established companies.

International securities and mutual funds that invest in them are potentially subject to political and economic risks such as political upheaval, financial troubles or natural disasters that can weaken a particular country's securities markets. Such risks are especially high in emerging markets. International investments are also subject to currency risk, which is the chance that the value of a foreign investment, as measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates.

Bonds and mutual funds that invest in bonds are subject to interest rate risk, which is the risk that bond prices will fall as interest rates rise. High-yield bonds and mutual funds that invest in them are subject to increased risk of default, greater volatility and higher credit risk.

This material has been developed exclusively for use in connection with the TRAK Fund Solution program. The mutual funds participating in the program, while very limited in number and subject to change, are deemed by Consulting Group of Morgan Stanley to be appropriately representative of the investment sectors necessary to enable the construction of a portfolio suitable to an investor's return objective and risk tolerance. Morgan Stanley provides shareholder services for, and receives remuneration from, participating mutual fund companies. Information regarding the fund, which is based on a quantitative historical review and the intentions of the portfolio manager as expressed in the Consulting Group's periodic interviews with fund representatives, should not be regarded as providing any assurance that the fund will continue to have the features, attributes and qualities described as of any subsequent date.

VII. DISCLOSURES

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May 28, 2014

Gross Rates of Return: The performance results depicted herein represent historical gross performance before the deduction of Morgan Stanley Smith Barney LLC investment advisory fee. The client is referred to the TRAK Fund Solution ADV brochure for a description of the investment advisory fees. Because the fees are deducted quarterly, the fees will have a compounding effect on performance and can be material. For example, on an account with a 2% fee, if the gross performance is 10%, the compounding effect of the fees will result in a net performance of approximately 7.81%. Comparative indices are unmanaged, have no expenses and reflect reinvestment of dividends and distributions. From time to time, the fund's management may waive some fees and/or reimburse some expenses, without which performance would be lower. Waivers and/or reimbursements are subject to change.

For information on certain terms, comparative indices and averages referred to in this proposal, please contact your Financial Advisor and request the Guide to Fund Research Definitions.

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In this proposal, "Morgan Stanley," "we," "us," or "our" apply to Morgan Stanley Smith Barney LLC.

CUSTOM ALLOCATION

TRAK Fund Solution is a non-discretionary investment advisory service. All investment decisions rest with you, the participant. While we strongly urge you to follow Consulting Group's asset allocation recommendations, we understand you may want to create a custom allocation.

Contact your Financial Advisor should a change in allocation be warranted for any reason, including a change in your investment objectives.

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