Municipal Bonds…A Foundation of Quality

Alan F. Willenbrock, CFA
Portfolio Manager, VP
(520) 519-2330
Alan.Willenbrock@MSSB.com

This material has been prepared for informational purposes only and is not an offer to buy or sell or a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. This is not a research report and was not prepared by the research departments of Morgan Stanley & Co. Incorporated or Citigroup Global Markets Inc. It was prepared by Morgan Stanley Smith Barney sales, trading or other non-research personnel. Past performance is not necessarily a guide to future performance. Please see additional important information and qualifications at the end of this material.
Where Do We Stand?

- Global stock markets have rebounded from their 2008 lows.
- Despite healing in the financial and funding markets, credit conditions remain tight.
- US unemployment rate has most likely peaked, but visible improvement not expected soon.
- Unlike past recoveries, consumer spending not leading the way.
- Many economists are looking for a moderate economic recovery through 2011.
What are your Investment Goals?

- Do your investment needs include
  - Maintaining your portfolio’s credit quality?
  - Supplementing your retirement income?
  - Capturing yield opportunities?
  - Reducing your income tax liability?\(^1\)
  - Managing your portfolio’s market exposure?

\(^1\)Some investors may be subject to the alternative minimum tax (AMT).
The Features and Benefits of Municipal Securities

- Tax-exempt income
- Credit quality
- Liquidity
- Low volatility
- Maturity flexibility
- Wide selection of issues
- Participation helps shared public interests

1 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, local tax-exemption typically applies if securities are issued within one’s city of residence.
## Comparing Taxable and Municipal Bonds on a Taxable Equivalent Yield (TEY) Basis

<table>
<thead>
<tr>
<th>Federal 2010 Tax Rate</th>
<th>33%</th>
<th>35%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Income</td>
<td>$171,850-$373,650</td>
<td>$373,650 and up</td>
</tr>
<tr>
<td>Joint Income</td>
<td>$209,250-$373,650</td>
<td>$373,650 and up</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tax-Exempt Yield</th>
<th>Taxable Equivalent Yield (TEY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.00%</td>
<td>4.48%</td>
</tr>
<tr>
<td>4.00%</td>
<td>5.97%</td>
</tr>
<tr>
<td>5.00%</td>
<td>7.46%</td>
</tr>
</tbody>
</table>

This example is for illustrative purposes only and does not represent any specific investment and assumes that each bond is held to maturity.

Source: Morgan Stanley Smith Barney, Tax Tables, 2010 Edition. A taxable equivalent yield is one of many factors that should be considered when making an investment decision. Example is based on current tax rates which may be subject to change.

Morgan Stanley Smith Barney LLC, its affiliates and Morgan Stanley Smith Barney Financial Advisors do not render advice on tax and tax accounting matters to clients. This material was not intended or written to be used, and it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer under U.S. federal tax laws. You should always consult your own legal or tax advisor for information concerning your individual situation.
Comparing Taxable and Municipal Bonds on an After-Tax Basis

Contrary to popular belief, certain municipal bonds may yield more on an after-tax basis than many taxable bonds, even if you aren’t in the top tax bracket.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Description</th>
<th>Pre-tax YTM</th>
<th>Federal Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate yield</td>
<td>5% coupon 10-year A</td>
<td>4.95%</td>
<td>33%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>35%</td>
</tr>
<tr>
<td>Municipal Yield</td>
<td>4% coupon 10-year AAA</td>
<td>3.63%</td>
<td>3.63%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3.63%</td>
</tr>
</tbody>
</table>

This example is for illustrative purposes only and does not represent any specific investment. The effective combined rate assumes the taxpayer itemizes his/her deductions. The factors do not adjust for: the phase-out of itemized deductions for certain high income taxpayers; the yield to maturity factoring in market discount or market premium, or the effect, if any, of the federal alternative minimum tax (AMT). This hypothetical illustration presumes that the underlying securities will not be called prior to maturity date, which may lower the Pre-tax yield to maturity (YTM) depicted.
Adding Municipal Bonds to a Portfolio

Historically, having an allocation of municipal bonds in a portfolio may help to reduce risk while maintaining competitive after-tax yields.

**Average Annual Returns 1990-2009**

The indexes are unmanaged. An investor cannot invest directly in an index. Index returns do not include any expenses, fees or sales charges, which would lower performance. For index definitions please see Appendix A on page 30. All investment income generated by the model is reinvested annually, along with the after-tax proceeds of an arbitrarily assumed 20% annualized turnover rate. The allocation between the two assets was allowed to roam within a 5% band around its target before rebalancing. No provision was made for investment fees or commissions. Investment income was taxed at the historically appropriate rate for an individual with $100,000 in taxable income in year 2009 dollars; net capital gains taxes, if any, were deducted at the rate appropriate for the period. At the end of 2009, the portfolios were fully liquidated to recognize the existing tax liability. The asset class returns were proxied by the returns of representative indices. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Past performance is not indicative of future results. Yields will vary.

Source: John Nuveen and Co. "Two is Greater than One," 2010

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. This material was not prepared by the research departments of Morgan Stanley & Co. Incorporated or Citigroup Global Markets Inc. Please refer to important information and qualifications at the end of this material.
The Need for Asset Allocation

<table>
<thead>
<tr>
<th>Balanced Portfolios Annualized After-Tax Returns: 1990-2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equities (S&amp;P 500) combined with…</strong></td>
</tr>
<tr>
<td><strong>Municipal Bonds</strong></td>
</tr>
<tr>
<td>100% Equities (S&amp;P 500)</td>
</tr>
<tr>
<td>80% Equities/ 20% bonds</td>
</tr>
<tr>
<td>60% Equities/ 40% bonds</td>
</tr>
<tr>
<td>40% Equities/ 60% bonds</td>
</tr>
</tbody>
</table>

Source: John Nuveen and Co. "Two is Greater than One," 2010

The indexes are unmanaged. An investor cannot invest directly in an index. Index returns do not include any expenses, fees or sales charges, which would lower performance. For index definitions please see Appendix A on page 30. All investment income generated by the model is reinvested annually, along with the after-tax proceeds of an arbitrarily assumed 20% annualized turnover rate. The allocation between the two assets was allowed to roam within a 5% band around its target before rebalancing. No provision was made for investment fees or commissions. Investment income was taxed at the historically appropriate rate for an individual with $100,000 in taxable income in year 2009 dollars; net capital gains taxes, if any, were deducted at the rate appropriate for the period. At the end of 2009, the portfolios were fully liquidated to recognize the existing tax liability. The asset class returns were proxyed by the returns of representative indices. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Past performance is not indicative of future results. Yields will vary.
The 30-yr ‘AAA’ municipal bond yield as a percentage of the benchmark 30-yr U.S. Treasury bond yield. The 30-yr ‘AAA’ municipal index is derived from MMD’s daily generic yield curves. The ‘AAA’ curve is the mean of non-insured ‘AAA’ rated State G.O. bonds and reflects the offer-side of the market determined from trading activity and markets. The benchmark 30-yr U.S. Treasury yield is the yield of the most recently auctioned 30-yr Treasury bond, reported on a daily basis (as of the prior day’s close).
Why Choose Individual Municipal Bonds?

- Direct ownership provides control of:
  - Timing of capital gains and losses
  - AMT exposure
  - Maturity timing
- Consistent income
- Avoid management fees
- Customization
Types of Municipal Bonds

- General obligation bonds ‘G.O.s,’ secured by the issuer’s ‘full faith and credit’
- Revenue bonds, secured by specifically pledged revenues, which may be in the form of:
  - Earnings of the enterprise or project
  - Dedicated fees unrelated to the use of bond proceeds
  - Lease revenue bonds
  - Certificates Of Participation (COPs)
- Pre-refunded bonds
- Zero Coupon
- Private activity bonds
- Taxable municipal bonds
- Build America Bonds (BABs)
Pre-Refunded and ETM Municipal Bonds

Pre-refunded municipal bonds are created when municipalities issue new debt to refinance outstanding debt previously issued at a higher interest cost. Once the refinancing is completed the issuer uses the proceeds of the new issue to purchase U.S. Treasury securities which are placed in an escrow account. The proceeds from the escrow account are then used to pay interest and principal on the original debt until the issue is called/matures. Pre-refunded bonds remain outstanding until they are called, at a date specified in the refunding documentation.

Escrowed-to-maturity (ETM) bonds remain outstanding until their original maturity. As the interest and principal from pre-refunded/escrowed bonds is normally secured by an irrevocable trust of U.S Treasury securities, the payments are no longer dependent upon the revenue stream or tax collections of the original issuing municipality.

For the conservative investor, pre-refunded and escrowed-to-maturity (ETM) municipal bonds provide high credit quality in addition to the benefit of tax-exempt income. The principal and interest payments from pre-refunded and ETM municipal bonds are generally secured by a trust holding U.S. Treasury securities and are, therefore, not dependent upon the revenue stream or taxing power of the issuing municipality.
Features of Pre-Refunded and ETM Municipal Bonds

Pre-refunded and ETM municipal bonds offer higher cash flows due to inherently higher coupons and higher yields, relative to par bonds of similar quality and maturity.

• Due to the higher coupon, pre-refunded and ETM municipal bonds tend to exhibit less price volatility in a rising interest rate environment than do lower coupon bonds.

• Even with AAA credit rating, pre-refunded and ETM municipal bonds generally earn a higher after-tax yield than do treasury securities of comparable maturity.
Zero Coupon Municipal Bonds

Typically, zero coupon bonds can be instrumental to planning for future financial needs, such as education or retirement.

Zero Coupon Municipal Bonds are generally free from federal income tax and, in most cases, free from state and local income taxes as well.

These bonds do not make periodic coupon payments; instead they are sold at a discount to face value and the interest accrues at a built-in rate (the yield) over the life of a bond. The `accreted interest' is the interest income received at maturity that is compounded semi-annually.

Benefits of Zero Coupon Municipal Bonds

- When bought at the initial offering and held to maturity, interest income is exempt from federal income taxes.
Zero Coupon Municipal Bonds (cont’d)

Benefits of Zero Coupon Municipal Bonds (cont’d)

- If issued from within the investor's state and/or city of residence, interest income may be exempt from state and/or local income taxes.

- Credit quality is high for most issues, as municipal bonds are second only to U.S. Treasury and Agency debt in quality. Internal compounding feature eliminates reinvestment risk over the life of the bond.

- Available maturities typically range from 1 to 30 years.

- Offered at a discounted purchase price, zero coupon municipal bonds provide an affordable opportunity to purchase more principal for your money.

Investment Consideration for Zero Coupon Municipal Bonds

- Because zero coupon bonds do not pay interest until maturity, they typically experience greater price volatility than do fixed coupon bonds with similar maturities.
The “New” Municipal Bond: Federally Taxable Build America Bonds


- **Issuers** receive a 35% subsidy for interest costs…paid for by the Federal Government via an IRS rebate

- Since the Inaugural Issuance in Mid-April 2009, taxable municipal bonds have accounted for over 30% of total municipal issuance in certain months and have had a significant impact on tax-exempt supply.

Build America Bonds are backed by the credit quality of the issuer, and not the Federal Government. Build America Bonds are structured as direct payment bonds, in which a direct Federal subsidy is paid to the state or local government issuer. You should read the relevant offering document.

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. This material was not prepared by the research departments of Morgan Stanley & Co. Incorporated or Citigroup Global Markets Inc. Please refer to important information and qualifications at the end of this material.
The Alternative Minimum Tax and Municipal Bonds

- A parallel tax system which can affect the tax-exempt status of certain municipal bonds

- Some offerings are marked “subject to AMT”
  - For investors subject to the AMT, these bonds are federally taxable and should therefore be avoided
  - For investors not subject to the AMT, these bonds may be a suitable way to diversify holdings and increase yield
  - Investors should consult with their tax advisor prior to investing in AMT bonds

- The majority of outstanding municipal bonds are not subject to the AMT

- Review your portfolio for AMT exposure

*Investors should consult their tax advisors before making any tax-related investment decisions. Morgan Stanley Smith Barney and its Financial Advisors do not offer tax advice.*
### Credit Quality

<table>
<thead>
<tr>
<th>Rating</th>
<th>Moody’s</th>
<th>S&amp;P</th>
<th>Fitch Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment Grade</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Best Quality</td>
<td>Aaa</td>
<td>AAA</td>
<td>AAA</td>
</tr>
<tr>
<td>High Quality</td>
<td>Aa1, Aa2, Aa3</td>
<td>AA+, AA, AA-</td>
<td>AA</td>
</tr>
<tr>
<td>Upper Medium Grade</td>
<td>A1, A2, A3</td>
<td>A+, A, A-</td>
<td>A</td>
</tr>
<tr>
<td>Medium Grade</td>
<td>Baa1, Baa2, Baa3</td>
<td>BBB+, BBB, BBB-</td>
<td>BBB</td>
</tr>
<tr>
<td><strong>Below Investment Grade</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Speculative Grade</td>
<td>Ba1, Ba2, Ba3</td>
<td>BB+, BB, BB-</td>
<td>BB</td>
</tr>
<tr>
<td></td>
<td>B1, B2, B3</td>
<td>B+, B, B-</td>
<td>B</td>
</tr>
<tr>
<td>Highly Speculative Grade</td>
<td>Caa1, Caa2, Caa3, Ca</td>
<td>CCC+, CCC, CCC-, CC, C</td>
<td>CCC, CC, C</td>
</tr>
<tr>
<td>Default</td>
<td>C</td>
<td>D</td>
<td>D</td>
</tr>
</tbody>
</table>

Source: Moody's Investors Service, Standard & Poor's, Fitch Ratings
Municipal Bond Investment Structures and Strategies

Time Frames and Objectives

Structures

1. **Short-Term:** maximize liquidity, limit volatility

2. **Intermediate-Term:** receive average to maximum yield, moderate risk exposure

3. **Long-Term:** maximize both yield and income

Strategies (short-, intermediate-, and long-term)

1. **Laddered Portfolio:** minimize reinvestment risk

2. **M-CAMPs®:** receive consistent and predictable monthly tax-exempt income
Short-Term

Objectives: Minimize exposure to interest rate fluctuation, maximize liquidity of principal, and obtain current income.

Short-Term Municipal Yields: Laddered Portfolio for Current Income (%)

The yields depicted in this chart are hypothetical, are used for illustrative purposes only, and do not reflect current rates. Past performance is not indicative of future results.
Intermediate-Term

Objectives: Higher income than shorter maturity bonds, but less potential for price volatility when compared to longer term bonds.

Intermediate-Term Municipal Yields: Laddered Portfolio for Current Income (%)

The yields depicted in this chart are hypothetical, are used for illustrative purposes only, and do not reflect current rates. Past performance is not indicative of future results.
Long-Term

Objectives: Income and yield maximization

The yields depicted in this chart are hypothetical, are used for illustrative purposes only, and do not reflect current rates. Past performance is not indicative of future results.
Hypothetical illustration. Not representative of any specific investment. The chart depicts a 10-year municipal bond ladder in which $100,000 matures every year from 1 to 10 years.
Portfolio Review Services

Our Portfolio Review Service conducts complimentary individualized fixed income portfolio reviews, customized proposals and outside account reviews that can be provided to you by your Financial Advisor.

A portfolio review can:

- Identify items for consideration which may include, but are not limited to: AMT exposure, out-of-state holdings, upcoming maturing or called bonds.

- Provide trade suggestions based upon your current and future objectives.

- Suggest strategies that may address interest rate fluctuations, bond calls, credit quality and projected income.
Investment Considerations

**Interest Rate Risk**
Interest rate risk is the risk that the market value of securities in a portfolio might rise or fall due to changes in prevailing interest rates. All fixed income securities are susceptible to fluctuations in interest rates; all else being equal, if interest rates fall, bond prices will rise and vice versa.

**Credit Risk**
Credit risk is the risk that the issuer might be unable to pay interest and/or principal on a timely basis. Although municipal bonds are generally considered to be high quality investments, not every issuer has the same tax base or sources of revenue. That's why it's important to know the issuer's creditworthiness before you purchase. The insured status of many municipal bonds can further enhance the bond’s credit quality. However, a bond insurer rating downgrade may have a credit risk impact on the investor, as, depending on the credit quality of the underlying issuer, the insured bond may also be downgraded. If the underlying credit quality of the issuer is higher than the downgraded insurer, the bond is unlikely to be downgraded. But, should the underlying issuer’s credit rating be lower than the downgraded insurer, the bond may also be downgraded, which could have a negative impact on the bond’s yield, price and liquidity in the secondary market.

**Reinvestment Risk**
Reinvestment risk is the risk that the income stream from a given investment may be reinvested at a lower interest rate. This risk is especially evident during periods of falling interest rates where coupon payments are reinvested at a lower rate than the current instrument.

**Secondary Market Risk**
You may be able to sell your bonds prior to maturity at prevailing market prices, although the degree of liquidity can vary between municipal issues. Due to a combination of market demand, supply and the relative level of interest rates, the price you receive for fixed income securities sold in the secondary market may be more or less than the par value or the original purchase price. The unique characteristics of many individual bonds may place limitations on their liquidity. While Morgan Stanley Smith Barney currently provides access to the secondary market in municipal bonds, it is not obligated to do so, and may discontinue doing so without providing notice.

**Call Risk**
Municipal bonds may be callable prior to maturity date which may reduce an investor’s total return. In the event that a bond is called, the investor’s total return may be reduced.
In Conclusion

- Municipal bonds may present value to many investors in a variety of tax brackets

- Individual bonds provide:
  - Maximum control of your portfolio
  - Competitive after-tax yields with typically high credit quality

- Your Morgan Stanley Smith Barney Financial Advisor delivers:
  - The trading experience and inventory of Morgan Stanley Smith Barney
  - Market commentary from our strategy team
  - Customized account analysis
Appendix A

- **Lehman Brothers Long Municipal Index**
  The index provides broad exposure to investment grade municipal bonds with a nominal maturity of 17 years or more.

- **Lehman Brothers Long Treasury Index**
  Composed of all U.S. Treasury publicly issued obligations. Includes only notes and bonds with a minimum outstanding principal amount of $50 million and maturities of ten years or greater. Total return comprises price appreciation/depreciation and income as a percentage of the original investment. Indexes are rebalanced monthly by market capitalization.
  Treasury bonds and bills are guaranteed by the U.S. government and if, held to maturity, offer a fixed rate of return.

- **Lehman Brothers Long Credit Index**
  The long component of the Lehman U.S. Government/Credit Index, a widely recognized index that features a blend of U.S. Treasury, government-sponsored (U.S. Agency and supranational), mortgage, and corporate securities limited to a maturity of more than ten years.

  Please refer to page 28 for Fixed Income Investment Considerations.

- **Ibbotson Associates Large Company Stock Index**
  The large company stock index tracks the performance of U.S. large-cap stocks – stocks that represent the largest 70 percent capitalization of the investable universe.

  Before investing in equities you should be willing to accept these risks. The value of equity securities changes daily and can be affected by changes in general market conditions and other political, social and economic developments, as well as matters relating to the specific company itself, such as its financial strength, or the industry/sector.
Important Disclosures

This material was prepared by sales, trading or other non-research personnel of Morgan Stanley Smith Barney LLC (together with its affiliates, hereinafter “Morgan Stanley Smith Barney”). Morgan Stanley Smith Barney was formed pursuant to a Joint Venture between Citigroup Inc. and Morgan Stanley & Co. Incorporated (herein “Morgan Stanley”). This material was not produced by a Morgan Stanley research analyst or a Citigroup Global Markets Inc. or any of its affiliates (herein “Citigroup”) research analyst, although it may refer to a Morgan Stanley or Citigroup research analyst or research report. Unless otherwise indicated, these views (if any) are the author’s (if any author is noted) and may differ from those of the Morgan Stanley or Citigroup fixed income or equity research departments or others in the firms.

This material should not be viewed as advice or recommendations with respect to asset allocation or any particular investment. This information is not intended to, and should not, form a primary basis for any investment decisions that you may make. Morgan Stanley Smith Barney is not acting as a fiduciary under either the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) or under section 4975 of the Internal revenue Code of 1986 as amended (“Code”) in providing this material.

This material was prepared by or in conjunction with Morgan Stanley Smith Barney trading desks that may deal as principal in or own or act as market maker or liquidity provider for the securities/instruments (or related derivatives) mentioned herein and may trade them in ways different from those discussed in this material. The trading desk may have accumulated a position in the subject securities/instruments based on the information contained herein. Trading desk materials are not independent of the proprietary interests of Morgan Stanley Smith Barney, which may conflict with your interests. Morgan Stanley Smith Barney may also perform or seek to perform investment banking services for the issuers of the securities and instruments mentioned herein.

The author(s) (if any authors are noted) principally responsible for the preparation of this material receive compensation based upon various factors, including quality and accuracy of their work, firm revenues (including trading and capital markets revenues), client feedback and competitive factors. Morgan Stanley Smith Barney is involved in many businesses that may relate to companies, securities or instruments mentioned in this material. These businesses include market making and specialized trading, risk arbitrage and other proprietary trading, fund management, investment services and investment banking.

This material has been prepared for informational purposes only and is not an offer to buy or sell or a solicitation of any offer to buy or sell any security/instrument, or to participate in any trading strategy. Any such offer would be made only after a prospective investor had completed its own independent investigation of the securities, instruments or transactions, and received all information it required to make its own investment decision, including, where applicable, a review of any offering circular or memorandum describing such security or instrument. That information would contain material information not contained herein and to which prospective participants are referred. This material is based on public information as of the specified date, and may be stale thereafter. We have no obligation to tell you when information herein may change. We make no representation or warranty with respect to the accuracy or completeness of this material. Morgan Stanley Smith Barney has no obligation to provide updated information on the securities/instruments mentioned herein.
Important Disclosures

Certain securities referred to in this material may not have been registered under the U.S. Securities Act of 1933, as amended, and, if not, may not be offered or sold absent an exemption therefrom. Recipients are required to comply with any legal or contractual restrictions on their purchase, holding, sale, exercise of rights or performance of obligations under any securities/instruments transaction.

The securities/instruments discussed in this material may not be suitable for all investors. The appropriateness of a particular investment or strategy will depend on an investor’s individual circumstances and objectives. This material does not provide individually tailored investment advice or offer tax, regulatory, accounting or legal advice. This material was not intended or written to be used, and it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer under U.S. federal tax laws. Prior to entering into any proposed transaction, recipients should determine, in consultation with their own investment, legal, tax, regulatory and accounting advisors, the economic risks and merits, as well as the legal, tax, regulatory and accounting characteristics and consequences, of the transaction. The value of and income from investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies and other issuers or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes only to simplify the presentation and/or calculation of any projections or estimates, and Morgan Stanley Smith Barney does not represent that any such assumptions will reflect actual future events. Accordingly, there can be no assurance that estimated returns or projections will be realized or that actual returns or performance results will not materially differ from those estimated herein. Some of the information contained in this document may be aggregated data of transactions in securities or other financial instruments executed by Morgan Stanley Smith Barney that has been compiled so as not to identify the underlying transactions of any particular customer. The trademarks and service marks contained herein are the property of their respective owners. Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data.

This material may not be sold or redistributed without the prior written consent of Morgan Stanley Smith Barney.

This material is not for distribution outside the United States of America.

Morgan Stanley Smith Barney LLC ("Morgan Stanley Smith Barney") is a registered broker-dealer, not a bank. Unless otherwise specifically disclosed to you in writing, investments and services offered through Morgan Stanley Smith Barney, member SIPC, are not insured by the FDIC, are not deposits or other obligations of, or guaranteed by, banks and involve investment risks, including possible loss of principal amount invested. GP10-01514P-N06/10 © 2010 Morgan Stanley Smith Barney LLC. Member SIPC
Municipal Bonds…A Foundation of Quality

Alan F. Willenbrock, CFA
Portfolio Manager, VP
(520) 519-2330
Alan.Willenbrock@MSSB.com

This material has been prepared for informational purposes only and is not an offer to buy or sell or a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. This is not a research report and was not prepared by the research departments of Morgan Stanley & Co. Incorporated or Citigroup Global Markets Inc. It was prepared by Morgan Stanley Smith Barney sales, trading or other non-research personnel. Past performance is not necessarily a guide to future performance. Please see additional important information and qualifications at the end of this material.