

Municipal Securities Disclosure

Much of the information below is found on the Financial Industry Regulatory Authority ("FINRA") website under the Investor Alert, "Municipal Bonds -Important Considerations for Individual Investors." For more information, please refer to this alert.

Features of Muni Bonds

Municipal securities, or "Muni bonds," are debt obligations of state or local governments. The funds raised by issuing muni bonds may be used to support general governmental needs or special projects.

Municipal bonds are considered riskier investments than Treasuries, but municipal bond interest is exempt from being taxed by the federal government. In addition, local governments often exempt their own citizens from taxes on its bonds. However, municipal bonds often have a lower coupon rate because of the tax break.

Municipal bonds generally pay a specified amount of interest (usually semiannually) and return the principal to you on a specific maturity date.

There are two common types of municipal bonds:

General Obligation ("GO") Bonds -GO bonds are issued by states, cities or counties. They are backed by the "full faith and credit" of the government entity issuing the bonds. The creditworthiness of GO bonds is based primarily on the economic strength of the issuer's tax base.

Revenue Bonds -Revenue bonds are backed solely by fees or other revenue generated or collected by a facility, such as tolls from a bridge or road, or leasing fees. Bonds that are backed by a specific tax or assessment of a government entity, such as a tourist tax or other special tax or assessment, also are often considered to be revenue bonds. Unlike GO bonds, revenue bonds are not backed by the full faith and credit of the government entity issuing the bonds. Instead, the creditworthiness of revenue bonds depends on the financial success of the specific project they are issued to fund, on the revenues of a specific operational component of the government entity, or on the amounts raised by a specific tax or special assessment.

Historically, very few muni bonds have gone into default. But defaults can occur. Defaults tend to be higher for revenue bonds than for GO bonds--especially those that back private-use projects such as nursing homes, hospitals or toll roads.

Risks Associated with Muni Bonds

Risk of Default

Evaluating Financial Condition

Defaults, while rare, do occur. One way to evaluate an issuer's default risk is to evaluate its financial condition. When a muni bond issuer offers a new bond for sale, it usually discloses the details of the offering and information about its financial condition in the bond's "official statement" (analogous to the prospectus used for corporate securities offerings). This information is typically updated each year-and also from time-to-time through "material events notices" concerning, for example, delinquency in principal and interest payments, other types of defaults, rating changes, events affecting the tax-exempt status of the bond, bond calls and other events. The Municipal Securities Rulemaking Board ("MSRB") currently makes official statements, other ongoing muni bond disclosures, real-time trade pricing and up-to-date interest rate information available to the public for free through its Electronic Municipal Market Access (EMMA) Web site. This information is also available from 18.

Credit Ratings

Credit ratings can also help you evaluate a bond's default risk. However, it is important to realize that these ratings are estimates only and should be only one of many factors in evaluating a municipal bond investment. Credit ratings can change at any time. A high credit rating is not a seal of approval and neither reflects nor guarantees stability of market

value or liquidity. Conversely, a low credit rating may very well be a sign of a bond's increased risk of default or an indicator of greater liquidity risk and price level risk. As such, a low credit rating should not be taken lightly. So-called "high yield" munis often have low credit ratings-the higher return is meant to compensate investors for the higher level of risk they incur.

Not all bonds have credit ratings. While an absence of a credit rating is not, by itself, a determinant of low credit quality, investors in non-rated bonds should be prepared to make their own independent credit analysis of the bonds.

Bond Insurance

Some muni bond issuers include a repayment protection feature -most often bond insurance -to insure their bonds at the time they are issued. A bond with insurance generally is able to come to market with a higher credit rating, making the bond more attractive to buyers, and at the same time lowering the issuing cost to the municipality. The protection can shield an investor from default risk to the extent that the protection provider promises to buy the bonds back or to take over payments of interest and principal if the issuer defaults. However, any guarantees are only as sound as the protection agent/insurance company that makes them. For this reason, when considering an insured bond, be sure to take into account the credit rating and long-term viability of the bond insurer. Following recent economic turmoil, the credit ratings of most bond insurers have been downgraded-and, in many cases, the current credit profile of the municipal bond issuer itself may now be higher than the current credit rating of the bond insurer.

Interest Rate Risk

Muni bonds are subject to interest rate risk, which is the risk that an increase in interest rates may reduce the market value of a bond you hold. Interest rate risk, also referred to as market risk, increases the longer you hold a bond. This is especially true if you purchase a bond when interest rates are at or near historically low rates.

MSRB Investor Brochure

The below information is available on the MSRB website in the MSRB Investor Brochure located at:

<http://msrb.org/~media/Files/Resources/MSRB-Investor-Brochure.ashx?la=en>

Complaints An investor who believes a dealer has been unfair or that MSRB rules or federal securities laws have been violated, may also file a complaint with the Securities and Exchange Commission, 100 F Street N.E., Washington, D.C. 20549.

COMPLAINTS ALSO MAY BE FILED WITH THE APPROPRIATE AGENCY LISTED BELOW.

For complaints against securities firms or individuals associated with securities firms:

FINRA Investor Complaint Center 9509 Key West Avenue Rockville, MD 20850-3329 (240) 386-4357

www.finra.org/complaint

For complaints about dealers that are state banks that are not members of the Federal Reserve System: FDIC

Consumer Response Center 1100 Walnut Street, Box #11 Kansas City, MO 64106

(877) ASK-FDIC or email to consumeralerts@fdic.gov www.fdic.gov/consumerslquestions/consumer/complaint.html

For complaints about dealers that are state banks that are members of the Federal Reserve System: Federal Reserve Consumer Help, P.O. Box 1200 Minneapolis, MN 55480

(888) 851-1920 or email consumerhelp@federalreserve.gov www.federalreserveconsumemelp.gov

For complaints about dealers that are national banks or savings associations: Comptroller of the Currency Customer Assistance Group 1301 McKinney Street, Suite 3450 Houston, TX 77010

(800) 613-6743 <http://helpwithmybank.gov/complaints/index-file-a-bank-complaint.html>

Anyone who wishes to communicate with the MSRB or obtain a copy of its rules may contact: Municipal Securities Rulemaking Board 1900 Duke Street, Suite 600 Alexandria, VA 22314-3412 Telephone: 703-797-6600 Website:

www.msrb.org

The MSRB protects investors, state and local governments and other municipal entities, and the public interest by promoting a fair and efficient municipal securities market. The MSRB fulfills this mission by regulating the municipal securities firms, banks and municipal advisors that engage in municipal securities and advisory activities. To further protect market participants, the MSRB provides market transparency through its Electronic Municipal Market Access (EMMA) website, the official repository for information on all municipal bonds. The MSRB also serves as an objective resource on the municipal market, conducts extensive education and outreach to market stakeholders, and provides market leadership on key issues. The MSRB is a Congressionally-chartered, self-regulatory organization governed by a 21-member board of directors that has a majority of public members, in addition to representatives of regulated entities. The MSRB is subject to oversight by the Securities and Exchange Commission.

Rules Protecting Investors A central purpose of MSRB rules is to protect investors that buy or sell municipal securities. The MSRB adopts rules that require brokers, dealers and municipal securities dealers ("dealers") to deal fairly with investors.

When a dealer recommends a municipal security, MSRB rules specifically require that the recommendation be suitable to the investor's financial situation and investment objectives. Advertisements about municipal securities must not be false or misleading.

In addition, before selling a municipal security to an investor, the dealer has a duty to assess and disclose material facts about a security that are generally available in official statements, continuing disclosures and other information made available through the MSRB's Electronic Municipal Market Access (EMMA) website, at <http://emma.msrb.org>. Dealers also have a duty to obtain and disclose information that is not available through EMMA, if it is material and available through other established sources. A dealer must buy and sell a municipal security at a fair and reasonable price, based on its best judgment of the security's fair market value.

MSRB rules, available on www.msrb.org, include standards of professionalism and fair practice, and the obligation of municipal securities dealers to fully understand bonds they sell as part of their disclosure, suitability and pricing obligations. No dealer may guarantee an investor against a loss on an investment in a municipal security.

After buying or selling a municipal security, the dealer must send a confirmation to the investor containing the identities of the parties to the transaction, a description of the security, the date of the sale, the security's price and yield, the capacity in which the dealer is acting, the existence of any call or put features and the availability of specific information about those features. Disclosure of material information typically will be provided by directing the investor to the MSRB's EMMA website, at <http://emma.msrb.org>, to access an electronic copy of the issuer's official statement. Investors may also request a printed copy of an official statement. MSRB rules apply to municipal securities (including 529 plans) and not to unit investment trusts, bond funds or other, similar investment programs issued by investment companies. Municipal securities generally are defined as direct obligations issued by a state, county, city or any of their political subdivisions, such as a school district or a housing authority.

Investor Disputes with Dealers

An investor who has a dispute with a dealer should try to resolve it with the sales representative or the representative's supervisor. If the dispute cannot be resolved, the investor may file a claim with the Financial Industry Regulatory Authority's arbitration program for possible restitution of an unfair monetary loss. Information about FINRA's arbitration program may be obtained by writing to FINRA at 1735 K Street, N.W., Washington, D.C., 20006, Attn: Dispute Resolution. The investor also may file a complaint with the regulatory agency that examines the dealer for compliance with MSRB rules, or contact the MSRB, which will forward the complaint to the appropriate enforcement agency.