

Invesco Van Kampen Municipal Opportunity Trust
Form N-14 8C/A
May 15, 2012

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U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM N-14

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Pre-Effective Amendment No. 1

Post-Effective Amendment No.

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(Check appropriate box or boxes)

INVESCO VAN KAMPEN MUNICIPAL OPPORTUNITY TRUST

(Exact Name of Registrant as Specified in Charter)
1555 Peachtree Street, N.E., Atlanta, Georgia 30309
(Address of Principal Executive Offices) (Zip Code)
(713) 626-1919

(Registrant's Telephone Number, including Area Code)

John M. Zerr, Esq.
11 Greenway Plaza
Suite 2500

Houston, Texas 77046
(713) 626-1919

(Name and Address of Agent for Service of Process)

Copies to:

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Four Times Square
New York, New York 10036

Approximate date of proposed public offering: As soon as practicable after the effective date of this Registration Statement.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Calculation of Registration Fee under the Securities Act of 1933:

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price⁽¹⁾	Amount of Registration Fee⁽²⁾
			\$479,891,500	\$54,996

Common Shares of
Beneficial Interest

- (1) Estimated solely for purposes of calculating the registration fee. Based on average high and low reported price for Invesco Municipal Premium Income Trust Common Shares on April 2, 2012, average of high and low reported price for Invesco Van Kampen Select Sector Municipal Trust Common Shares on April 2, 2012, and average of high and low reported price for Invesco Van Kampen Trust for Value Municipals Common Shares on April 2, 2012, in accordance with Rule 457(f)(1) under the Securities Act of 1933.
 - (2) A registration fee of \$54,996 was previously paid in connection with the initial filing.
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**Invesco Van Kampen Municipal Opportunity Trust
Invesco Municipal Premium Income Trust
Invesco Van Kampen Select Sector Municipal Trust
Invesco Van Kampen Trust for Value Municipals
1555 Peachtree Street, N.E.
Atlanta, GA 30309
(800) 341-2929**

**NOTICE OF JOINT ANNUAL MEETING OF SHAREHOLDERS
To Be Held on July 17, 2012**

Notice is hereby given to holders of common shares of beneficial interest (Common Shares) of Invesco Municipal Premium Income Trust (PIA), Invesco Van Kampen Select Sector Municipal Trust (VKL), Invesco Van Kampen Trust for Value Municipals (VIM, and together with PIA and VKL, the Target Funds), and Invesco Van Kampen Municipal Opportunity Trust (the Acquiring Fund or VMO), that the Funds will hold a joint annual meeting of shareholders (the Meeting) on July 17, 2012, at 1555 Peachtree Street, N.E. Atlanta, Georgia 30309. The Meeting will begin at 1:00 p.m. Eastern time for PIA and at 2:00 p.m. Eastern time for VKL, VIM and the Acquiring Fund. The Target Funds and the Acquiring Fund collectively are referred to as the Funds and each is referred to individually as a Fund. At the Meeting, holders of Common Shares (Common Shareholders) will be asked to vote on the following proposals:

- 1) For each Fund, approval of an Agreement and Plan of Redomestication that provides for the reorganization of such Fund as a Delaware statutory trust.
- 2) Approval of the merger of each Target Fund into the Acquiring Fund, which shall require the following shareholder actions:
 - (a) For each Target Fund, approval of an Agreement and Plan of Merger that provides for such Target Fund to merge with and into the Acquiring Fund.
 - (b) For the Acquiring Fund, approval of the following sub-proposals:
 - (i) Approval of an Agreement and Plan of Merger that provides for PIA to merge with and into the Acquiring Fund.
 - (ii) Approval of an Agreement and Plan of Merger that provides for VKL to merge with and into the Acquiring Fund.
 - (iii) Approval of an Agreement and Plan of Merger that provides for VIM to merge with and into the Acquiring Fund.
- 3) For PIA, the election of a class of Trustees to its Board of Trustees.
- 4) For each of VKL, VIM and the Acquiring Fund, the election of a class of Trustees to its Board of Trustees, as follows:
 - (a) For VIM and the Acquiring Fund, the election of one Class II Trustee to its Board of Trustees.
 - (b) For VKL, the election of two Class III Trustees to its Board of Trustees.

Each Fund may also transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

Common Shareholders of record as of the close of business on May 23, 2012, are entitled to notice of, and to vote at, the Meeting or any adjournment or postponement thereof. Holders of the Funds' preferred shares of beneficial interest, whose voting instructions are being separately solicited, will also vote on certain matters at the Meeting.

The Board of Trustees of each Fund requests that you vote your shares by either (i) completing the enclosed proxy card and returning it in the enclosed postage paid return envelope, or (ii) voting by telephone or via the internet using the instructions on the proxy card. Please vote your shares promptly regardless of the number of shares you own.

Each Target Fund does not believe that its shareholders are entitled to appraisal rights in connection with its merger. However, the availability of dissenters' appraisal rights in connection with such a transaction involving a Massachusetts business trust has not been judicially determined, and, accordingly, depending on such determination, Target Fund shareholders may be entitled to appraisal rights under Massachusetts law. Any shareholder seeking to assert appraisal rights with respect to a merger will be required to give written notice, before the shareholders' vote on whether to approve the merger, of the shareholder's intent to demand payment pursuant to appraisal rights, and to comply with the requirement to not vote to approve the merger.

Each Fund's Board recommends that you cast your vote for the above proposals and for all the Trustee nominees as described in the Joint Proxy Statement/Prospectus.

For PIA:

Mr. Philip Taylor
President and Principal Executive Officer
June [], 2012
For VKL, VIM and the Acquiring Fund (VMO),
by order of the Board of Trustees:

Mr. John M. Zerr
Senior Vice President, Secretary and
Chief Legal Officer
June [], 2012

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE JOINT ANNUAL MEETING OF SHAREHOLDERS TO BE HELD JULY 17, 2012:

The proxy statement and annual report to shareholders are available at www.invesco.com/us.

**Invesco Van Kampen Municipal Opportunity Trust
Invesco Municipal Premium Income Trust
Invesco Van Kampen Select Sector Municipal Trust
Invesco Van Kampen Trust for Value Municipals
1555 Peachtree Street, N.E.
Atlanta, GA 30309
(800) 341-2929**

JOINT PROXY STATEMENT/PROSPECTUS

June [], 2012

Introduction

This Joint Proxy Statement/Prospectus (the **Proxy Statement**) contains information that holders of common shares of beneficial interest (**Common Shares**) of Invesco Municipal Premium Income Trust (**PIA**), Invesco Van Kampen Select Sector Municipal Trust (**VKL**), Invesco Van Kampen Trust for Value Municipals (**VIM**, and together with PIA and VKL, the **Target Funds**), and Invesco Van Kampen Municipal Opportunity Trust (the **Acquiring Fund** or **VMO**) should know before voting on the proposals that are described herein. The Target Funds and the Acquiring Fund collectively are referred to as the **Funds** and each is referred to individually as a **Fund**.

A joint annual meeting of the shareholders of the Funds (the **Meeting**) will be held on July 17, 2012 at 1555 Peachtree Street, N.E., Atlanta, Georgia 30309. The Meeting will begin at 1:00 p.m. Eastern time for PIA and at 2:00 p.m. Eastern time for VKL, VIM and the Acquiring Fund. The following describes the proposals to be voted on by holders of Common Shares (**Common Shareholders**) at the Meeting:

- 1) For each Fund, approval of an Agreement and Plan of Redomestication that provides for the reorganization of such Fund as a Delaware statutory trust.

 - 2) Approval of the merger of each Target Fund into the Acquiring Fund, which shall require the following shareholder actions:
 - (a) For each Target Fund, approval of an Agreement and Plan of Merger that provides for such Target Fund to merge with and into the Acquiring Fund.
 - (b) For the Acquiring Fund, approval of the following sub-proposals:
 - (i) Approval of an Agreement and Plan of Merger that provides for PIA to merge with and into the Acquiring Fund.
 - (ii) Approval of an Agreement and Plan of Merger that provides for VKL to merge with and into the Acquiring Fund.
 - (iii) Approval of an Agreement and Plan of Merger that provides for VIM to merge with and into the Acquiring Fund.

 - 3) For PIA, the election of a class of Trustees to its Board of Trustees.

 - 4) For each of VKL, VIM and the Acquiring Fund, the election of a class of Trustees to its Board of Trustees, as follows:
-

- (a) For VIM and the Acquiring Fund, the election of one Class II Trustee to its Board of Trustees.
- (b) For VKL, the election of two Class III Trustees to its Board of Trustees.

Each Fund may also transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

The redomestications contemplated by Proposal 1 are referred to herein each individually as a Redomestication and together as the Redomestications. The mergers contemplated by Proposal 2 are referred to herein each individually as a Merger and together as the Mergers.

The Boards of Trustees of the Funds (the Boards) have fixed the close of business on May 23, 2012, as the record date (Record Date) for the determination of shareholders entitled to notice of and to vote at the Meeting and at any adjournment or postponement thereof. Shareholders will be entitled to one vote for each share held (and a proportionate fractional vote for each fractional share). Holders of the preferred shares of beneficial interest (Preferred Shares) of the Funds, whose voting instructions are being separately solicited, will also vote on certain matters at the Meeting.

This Proxy Statement, the enclosed Notice of Joint Annual Meeting of Shareholders, and the enclosed proxy card will be mailed on or about June 21, 2012, to all Common Shareholders eligible to vote at the Meeting. Each Fund is a closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Common Shares of PIA, VIM and the Acquiring Fund are listed on the New York Stock Exchange (the NYSE), the Common Shares of VKL, VIM and the Acquiring Fund are also listed on the Chicago Stock Exchange, and the Common Shares of VKL are also listed on the NYSE Amex (together with the NYSE and the Chicago Stock Exchange, the Exchanges). This document is both a proxy statement for Common Shares of each Fund and also a prospectus for Common Shares of the Acquiring Fund.

The Meeting is scheduled as a joint meeting of the shareholders of the Funds and certain affiliated funds, whose votes on proposals applicable to such funds are being solicited separately, because the shareholders of the funds are expected to consider and vote on similar matters.

A joint Proxy Statement is being used in order to reduce the preparation, printing, handling and postage expenses that would result from the use of separate proxy materials for each Fund. You should retain this Proxy Statement for future reference, as it sets forth concisely information about the Funds that you should know before voting on the proposals and because it will be the only prospectus you receive for your Acquiring Fund Common Shares. Additional information about each Fund is available in the annual and semi-annual reports to shareholders of such Fund. Each Fund's most recent annual report to shareholders, which contains audited financial statements for the Funds' most recently completed fiscal year, and each Fund's most recent semi-annual report to shareholders have been previously mailed to shareholders and are available on the Funds' website at www.invesco.com/us. The statement of additional information to this Proxy Statement (the SAI), dated the same date as this Proxy Statement, includes additional information about the Funds that is incorporated by reference and is deemed to be part of this Proxy Statement. These documents are on file with the U.S. Securities and Exchange Commission (the SEC). Copies of all of these documents are also available upon request without charge by writing to the Funds at 11 Greenway Plaza, Suite 2500, Houston, Texas 77046, or by calling (800) 341-2929.

You also may view or obtain these documents from the SEC's Public Reference Room, which is located at 100 F Street, N.E., Washington, D.C. 20549, or from the SEC's website at www.sec.gov. Information on the operation of the SEC's Public Reference Room may be obtained by calling the SEC at (202) 551-8090. You can also request copies of these materials, upon payment at the prescribed rates of the duplicating fee, by electronic request to the SEC's e-mail address (publicinfo@sec.gov) or by writing to the Public Reference Branch, Office of Consumer Affairs and Information Services, U.S. Securities and Exchange Commission, Washington, D.C. 20549-1520. You may also inspect reports, proxy material and other information concerning each of the Funds at the Exchanges.

These securities have not been approved or disapproved by the SEC nor has the SEC passed upon the accuracy or adequacy of this Proxy Statement. Any representation to the contrary is a criminal offense. An investment in the Funds is not a deposit with a bank and is not insured or guaranteed by the Federal Deposit

Insurance Corporation (FDIC) or any other government agency. You may lose money by investing in the Funds.

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No dealer, salesperson or any other person has been authorized to give any information or to make any representations other than those contained in this Proxy Statement or related solicitation materials on file with the Securities and Exchange Commission, and you should not rely on such other information or representations.

PROPOSAL 1: APPROVAL OF REDOMESTICATION

On what am I being asked to vote?

Each Fund's shareholders are being asked to approve an Agreement and Plan of Redomestication (a Plan of Redomestication) providing for the reorganization of the Fund as a Delaware statutory trust. Each Fund is currently a Massachusetts business trust. Each Fund's Plan of Redomestication provides for the Fund to transfer all of its assets and liabilities to a newly formed Delaware statutory trust whose capital structure will be substantially the same as the Fund's current structure, after which Fund shareholders will own shares of the Delaware statutory trust and the Massachusetts business trust will be liquidated and terminated. The Redomestication is only a change to your Fund's legal form of organization and there will be no change to the Fund's investments, management, fee levels, or federal income tax status as a result of the Redomestication.

Each Fund's Redomestication may proceed even if other Redomestications are not approved by shareholders or are for any other reason not completed. A form of the Plan of Redomestication is available in Exhibit A.

By voting for this Proposal 1, you will be voting to become a shareholder of a fund organized as a Delaware statutory trust with portfolio characteristics, investment objective(s), strategies, risks, trustees, advisory agreements, subadvisory arrangements and other arrangements that are substantially the same as those currently in place for your Fund.

Has my Fund's Board of Trustees approved the Redomestication?

Yes. Each Fund's Board has reviewed and unanimously approved the Plan of Redomestication and this Proposal 1. **The Board of each Fund recommends that shareholders vote for Proposal 1.**

What are the reasons for the proposed Redomestications?

The Redomestications will serve to standardize the governing documents and certain agreements of the Funds with each other and with other funds managed by Invesco Advisers, Inc. (the Adviser). This standardization is expected to streamline the administration of the Funds, which may result in cost savings and more effective administration by eliminating differences in governing documents or controlling law. In addition, the legal requirements governing business trusts under Massachusetts law are less certain and less developed than those under Delaware law, which sometimes necessitates the Funds bearing the cost to engage counsel to advise on the interpretation of such law.

The Redomestications are also a necessary step for the completion of the Mergers described in Proposal 2 because, as Delaware statutory trusts, the Funds may merge with no delay in transactions that are expected to qualify as tax-free reorganizations. However, the Redomestications may proceed even if the Mergers described in Proposal 2 are not approved.

What effect will a Redomestication have on me as a shareholder?

A Redomestication will have no direct effect on Fund shareholders' investments. Each redomesticated Fund will have investment advisory agreements, subadvisory arrangements, administration agreements, custodian agreements, transfer agency agreements, and other service provider arrangements that are identical in all material respects to those in place immediately before the Redomestication, with certain non-substantive revisions to standardize such agreements across the Funds. For example, after the Redomestications, the investment advisory agreements of the Funds will contain standardized language describing how investment advisory fees are calculated, but there will be no change to the actual calculation methodology. Each Fund will continue to be served by the same individuals as trustees and officers, and each Fund will continue to retain the same independent registered public accounting firm. The portfolio characteristics, investment objective(s), strategies and risks of each Fund will not change as a result of the Redomestications.

In addition, each Fund's capital structure will be substantially the same as its current structure. The Common Shares of each Fund will continue to have equal rights to the payment of dividends and the distribution of assets upon liquidation, and each Fund may not declare distributions on Common Shares unless all accrued

dividends on the Fund's Preferred Shares have been paid, and unless asset coverage with respect to the Fund's Preferred Shares would be at least 200% after giving effect to the distributions.

After the Redomestications, each Fund will be a Delaware statutory trust governed by the Delaware Statutory Trust Act (DE Statute). The DE Statute is similar in many respects to the laws governing the Fund's current structure, a Massachusetts business trust, but they differ in certain respects. Both the Massachusetts business trust law (MA Statute) and the DE Statute permit a trust's governing instrument to contain provisions relating to shareholder rights and removal of trustees, and provide trusts with the ability to amend or restate the trust's governing instruments. However, the MA Statute is silent on many of the salient features of a Massachusetts business trust whereas the DE Statute provides guidance and offers a significant amount of operational flexibility to Delaware statutory trusts. The DE Statute provides explicitly that the shareholders and trustees of a Delaware statutory trust are not liable for obligations of the trust to the same extent as under corporate law, while under the MA Statute, shareholders and trustees could potentially be liable for trust obligations under certain circumstances. The DE Statute authorizes the trustees to take various actions without requiring shareholder approval if permitted by a Fund's governing instruments. For example, trustees of a Delaware statutory trust may have the power to amend the trust's governing instrument, merge or consolidate a Fund with another entity, and to change the Delaware statutory trust's domicile, in each case without a shareholder vote. The Funds believe that the guidance and flexibility afforded by the DE Statute and the explicit limitation on liability contained in the DE Statute will benefit the Funds and shareholders. A more detailed comparison of certain provisions of the DE Statute and the MA Statute is included in Exhibit C.

The governing documents of each Fund before and after its Redomestication will be similar, but will contain certain material differences. In general, under each Fund's new governing documents, shareholders will generally have fewer rights to vote on matters affecting the Fund and, therefore, less control over the operations of the Fund. For example, the new governing documents permit termination of a Fund without shareholder approval, provided that at least 75% of the Trustees have approved such termination, thereby avoiding the expense of a shareholder meeting in connection with a termination of a Fund, which expense would reduce the amount of assets available for distribution to shareholders. The current governing documents require shareholder approval to terminate each Fund regardless of whether the Trustees have approved such termination. Also, each Fund's new by-laws may be altered, amended, or repealed by the Trustees, without the vote or approval of shareholders. Each Fund's current by-laws may be altered, amended, or repealed by the Trustees, provided that by-laws adopted by the shareholders may only be altered, amended, or repealed by the shareholders.

Under the new governing documents, Trustees will be elected by a majority vote (i.e., nominees must receive the vote of a majority of the outstanding shares entitled to vote), while under the current governing documents, Trustees of VKL, VIM and the Acquiring Fund are generally elected by a plurality vote (i.e., the nominees receiving the greatest number of votes are elected). Trustees of PIA are elected by a majority vote. For VKL, VIM and the Acquiring Fund, the new governing documents will provide for election of Trustees by all shareholders voting together as a single class, except for those Trustees specifically designated to be elected solely by the holders of Preferred Shares (Preferred Shareholders). PIA currently elects Trustees by all shareholders voting together as a single class, except for those Trustees specifically designated to be elected solely by Preferred Shareholders, which will continue under the new governing documents.

The new governing documents will not provide shareholders the ability to remove Trustees or to call special meetings of shareholders, which powers are provided under the current governing documents. Also, additional procedures must be undertaken by shareholders under the new governing documents than under the current governing documents with respect to shareholder proposals, including nominations, brought before a meeting of shareholders. These additional procedures include, among others, shareholders appearing before the annual or special meeting of shareholders to present about the nomination or proposed business. The additional procedures are intended to provide the Board the opportunity to better evaluate proposals submitted by shareholders and provide additional information to shareholders for their consideration in connection with the proposal.

The new governing documents contain a different shareholder voting standard with respect to each Fund's merger, consolidation, or conversion to an open-end company that, in certain circumstances, may be a lower voting standard than under the current governing documents. The new governing documents also impose certain obligations on shareholders seeking to initiate a derivative action on behalf of each Fund that are not imposed under the current governing documents, which may make it more difficult for shareholders to initiate derivative actions and are intended to save the Fund money by requiring reimbursement of the Fund for frivolous lawsuits brought by shareholders. To further protect the Fund and its shareholders from frivolous lawsuits, the new governing documents also provide that shareholders will indemnify the Fund for all costs, expenses, penalties, fines or other amounts arising from any action against the Fund to the extent that the shareholder is not the prevailing party and that the Fund is permitted to redeem shares of and/or set off against any distributions due to the shareholder for such amounts. The Trustees believe that these provisions will benefit shareholders by deterring frivolous lawsuits and actions by short-term, speculative investors that are contrary to the best long-term interests of the Fund and long-term shareholders and limiting the extent to which Fund assets will be expended defending against such lawsuits.

A comparison of the current and proposed governing documents of the Funds is available in Exhibit B.

Shareholder approval of a Redomestication will be deemed to constitute approval of the advisory and subadvisory agreements, as well as a vote for the election of the trustees, of the Delaware statutory trust. Accordingly, each Plan of Redomestication provides that the sole initial shareholder of each Delaware statutory trust will vote to approve the advisory and subadvisory agreements (which, as noted above, will be identical in all material respects to the Fund's current agreements) and to elect the trustees of the Delaware statutory trust (which, as noted above, will be the same as the Fund's current Trustees) after shareholder approval of the Redomestication but prior to the closing of the Redomestication.

Will there be any tax consequences resulting from a Redomestication?

The following is a general summary of the material U.S. federal income tax considerations of the Redomestications and is based upon the current provisions of the Internal Revenue Code of 1986, as amended (the Code), the existing U.S. Treasury Regulations thereunder, current administrative rulings of the Internal Revenue Service (IRS) and published judicial decisions, all of which are subject to change. These considerations are general in nature and individual shareholders should consult their own tax advisors as to the federal, state, local, and foreign tax considerations applicable to them and their individual circumstances. These same considerations generally do not apply to shareholders who hold their shares in a tax-deferred account.

Each Redomestication is intended to be a tax-free reorganization pursuant to Section 368(a) of the Code. Each Fund is currently a Massachusetts business trust. Each Redomestication will be completed pursuant to a Plan of Redomestication that provides for the applicable Fund to transfer all of its assets and liabilities to a newly formed Delaware statutory trust (DE-Fund), after which Fund shareholders will own shares of the Delaware statutory trust and the Massachusetts business trust will be liquidated. Even though the Redomestication of a Fund is part of an overall plan to effect the Merger of each Target Fund with the Acquiring Fund, the Redomestications will be treated as separate transactions for U.S. federal income tax purposes. The principal federal income tax considerations that are expected to result from the Redomestication of an applicable Fund are as follows:

no gain or loss will be recognized by the Fund or the shareholders of the Fund as a result of the Redomestication;

no gain or loss will be recognized by the DE-Fund as a result of the Redomestication;

the aggregate tax basis of the shares of the DE-Fund to be received by a shareholder of the Fund will be the same as the shareholder's aggregate tax basis of the shares of the Fund; and

the holding period of the shares of the DE-Fund received by a shareholder of the Fund will include the period that a shareholder held the shares of the Fund (provided that such shares of the Fund are capital assets in the hands of such shareholder as of the Closing (as defined herein)).

Neither the Funds nor the DE-Funds have requested or will request an advance ruling from the IRS as to the federal tax consequences of the Redomestications. As a condition to Closing, Stradley Ronon Stevens & Young, LLP will render a favorable opinion to each Fund and DE-Fund as to the foregoing federal income tax consequences of each Redomestication, which opinion will be conditioned upon, among other things, the accuracy, as of the Closing Date (as defined herein), of certain representations of each Fund and DE-Fund upon which Stradley Ronon Stevens & Young, LLP will rely in rendering its opinion. A copy of the opinion will be filed with the SEC and will be available for public inspection. See Where to Find Additional Information. Opinions of counsel are not

binding upon the IRS or the courts. If a Redomestication is consummated but the IRS or the courts determine that the Redomestication does not qualify as a tax-free reorganization under the Code, and thus is taxable, each Fund would recognize gain or loss on the transfer of its assets to its corresponding DE-Fund and each shareholder of the Fund would recognize a taxable gain or loss equal to the difference between its tax basis in its Fund shares and the fair market value of the shares of the DE-Fund it receives. The failure of one Redomestication to qualify as a tax-free reorganization would not adversely affect any other Redomestication.

When are the Redomestications expected to occur?

If shareholders of a Fund approve Proposal 1, it is anticipated that such Fund's Redomestication will occur in the third quarter of 2012.

What will happen if shareholders of a Fund do not approve Proposal 1?

If Proposal 1 is not approved by a Fund's shareholders or if a Redomestication is for other reasons not able to be completed, that Fund would not be redomesticated. In addition, that Fund would not participate in a Merger, even if that Fund's shareholders approve the Merger under Proposal 2. If Acquiring Fund Shareholders do not approve Proposal 1 or if the Acquiring Fund's Redomestication is for any other reason not completed, no Mergers would be completed. If Proposal 1 is not approved by shareholders, the applicable Fund's Board will consider other possible courses of action for that Fund.

THE BOARDS RECOMMEND THAT YOU VOTE FOR THE APPROVAL OF PROPOSAL 1.

PROPOSAL 2: APPROVAL OF MERGERS

On what am I being asked to vote?

Shareholders of each Target Fund are being asked to consider and approve a Merger of their Target Fund with and into the Acquiring Fund, as summarized below. Shareholders of the Acquiring Fund are also being asked to consider and approve each such Merger, which involves the issuance of new Common Shares and Preferred Shares by the Acquiring Fund. If a Merger is approved, Common Shares of the Target Fund will be exchanged for newly issued Acquiring Fund Common Shares of equal aggregate net asset value; and Preferred Shares of a Target Fund will be exchanged for newly issued Acquiring Fund Preferred Shares with substantially identical terms, including equal aggregate liquidation preferences.

Each Merger will be completed pursuant to an Agreement and Plan of Merger (Merger Agreement) that provides for the applicable Target Fund to merge with and into the Acquiring Fund pursuant to the Delaware Statutory Trust Act. A form of the Merger Agreement is included as Exhibit D. Each Merger Agreement is substantially the same. The merger of one Target Fund and the Acquiring Fund may proceed even if the merger of the other Target Fund is not approved by shareholders or is for any other reason not completed. A Merger can proceed only if both the Target Fund and the Acquiring Fund have also approved their respective Redomestications.

SUMMARY OF KEY INFORMATION REGARDING THE MERGERS

The following is a summary of certain information contained elsewhere in this Proxy Statement and in the Merger Agreement. Shareholders should read the entire Proxy Statement carefully for more complete information.

Has my Fund's Board of Trustees approved the Merger(s)?

Yes. Each Fund's Board has reviewed and unanimously approved the Merger Agreement and this Proposal 2. Each Fund's Board determined that the Mergers are in the best interest of each Fund and will not dilute the interests of the existing shareholders of any Fund. **Each Fund's Board recommends that shareholders vote for Proposal 2.**

What are the reasons for the proposed Mergers?

The Mergers proposed in this Proxy Statement are part of a larger group of transactions across the Adviser's fund platform that began in early 2011. The Mergers are being proposed to reduce the number of closed-end funds with similar investment processes and investment philosophies managed by the Adviser.

Fund shareholders may benefit from the Mergers by becoming shareholders of a larger Fund that may have a more diversified portfolio lower expense ratios, which could increase yields, greater market liquidity, more analyst coverage, and smaller spreads and trading discounts, although there is no guarantee that this will occur.

In considering the Mergers and the Merger Agreement, the Board of each Fund considered these and other factors in concluding that the Mergers would be in the best interest of the Funds and would not dilute the interests of the existing shareholders of any Fund. The Board's considerations are described in more detail below in the section entitled "Additional Information About the Funds and the Mergers - Board Considerations in Approving the Mergers."

What effect will a Merger have on me as a shareholder?

If you own Target Fund Common Shares, you will, after the Merger, own Common Shares of the Acquiring Fund with an aggregate net asset value equal to the net asset value of the Target Fund Common Shares you held immediately before the Merger. It is likely, however, that the market value of such Common Shares will differ because market value reflects trading activity on the Exchanges and tends to vary from net asset value.

If you are a Common Shareholder of the Acquiring Fund, your Common Shares of the Acquiring Fund will not be changed by a Merger, but will represent a smaller percentage interest in a larger fund.

The principal differences between the Target Funds and the Acquiring Fund are described in the following sections.

How do the Funds' investment objectives and principal investment strategies compare?

The Funds have substantially the same investment objectives as shown below. However, VKL has a secondary investment objective to seek to enhance the total return provided to the Fund's Common Shareholders. Neither PIA, VIM nor the Acquiring Fund has a secondary investment objective. For each Fund, the investment objective is fundamental and may not be changed without approval of a majority of the Fund's outstanding voting securities, as defined in the 1940 Act.

VIM

To provide Common Shareholders with a high level of current income exempt from federal income tax, consistent with preservation of capital.

Acquiring Fund (VMO)

To provide Common Shareholders with a high level of current income exempt from federal income tax, consistent with preservation of capital.

VKL

To seek to provide Common Shareholders with a high level of current income exempt from federal income tax, consistent with preservation of capital. VKL's secondary investment objective is to seek to enhance the total return provided to Common Shareholders.

PIA

To provide a high level of current income which is exempt from federal income tax.

The principal investment strategies of the Acquiring Fund are substantially the same as the principal investment strategies of VKL and VIM. The main difference in the Funds' principal investment strategies is that, as an additional strategy, VKL seeks to achieve its investment objective primarily by investing in a portfolio of municipal securities selected by the Adviser from certain sectors of the municipal securities market under normal market conditions.

The principal investment strategies of the Acquiring Fund are similar to the principal investment strategies of PIA. The differences in the Funds' principal investment strategies include how they define investment grade municipal securities, and the types of temporary investments in which they can invest.

The section below entitled "Additional Information About the Funds and the Mergers - Comparison of Principal Investment Strategies" provides more information on the principal investment strategies of the Target Funds and the Acquiring Fund and highlights certain key differences.

How do the Funds' principal risks compare?

The principal risks that may affect each Fund's investment portfolio are substantially the same. The material difference in the principal risks of the Funds is that market segment/sector risk may be heightened for VKL due to its principal investment strategy. Also, PIA is not subject to swap risk. The risks each Fund have in common are municipal securities risk, insurance risk, market risk, interest rate risk, credit risk, income risk, call risk, market segment risk, tax risk, risks of using derivative instruments, risks of investing in lower-grade securities, liquidity risk, preferred shares risk, unrated securities risk, when-issued and delayed delivery risks and zero coupon/PIK bond risk.

Investment in any of the Funds involves risks, including the risk that shareholders may receive little or no return on their investment, and the risk that shareholders may lose part or all of the money they invest. There can be no guarantee against losses resulting from an investment in a Fund, nor can there be any assurance that a Fund will achieve its investment objective(s). Whether a Fund achieves its investment objective(s) depends on market conditions generally and on the Adviser's analytical and portfolio management skills. As with any managed fund, the Adviser may not be successful in selecting the best-performing securities or investment techniques, and a Fund's performance may lag behind that of similar funds. The risks associated with an investment in a Fund can increase during times of significant market volatility. An investment in a Fund is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Before investing in a Fund, potential shareholders should carefully evaluate the risks.

Additional information on the principal risks of each Fund is included below under "Additional Information About the Funds and the Mergers - Principal Risks of an Investment in the Funds" and in the SAI.

How do the Funds' expenses compare?

The table below provides a summary comparison of the expenses of the Funds. The table also shows estimated expenses on a *pro forma* basis giving effect to the proposed Merger with VKL and giving effect to all of the Mergers. The *pro forma* expense ratios show projected estimated expenses, but actual expenses may be greater or less than those shown.

It is anticipated that the lowest expense ratio will be achieved for the Acquiring Fund if all of the Mergers are completed and that the highest expense ratio will result if VKL is the only Target Fund that participates in a Merger with the Acquiring Fund. The range of impact to Acquiring Fund expenses after the Mergers is reflected in the following table. Note that Acquiring Fund Total Annual Fund Operating Expenses on a *pro forma* basis will be higher than the Acquiring Fund's current expenses because the Acquiring Fund will after the Mergers have more leverage and therefore slightly higher Interest and Related Expenses.

	Current(a)			Invesco Van Kampen Municipal Opportunity Trust (Acquiring Fund)	<i>Pro Forma</i> (b) VKL	<i>Pro Forma</i> (b)
	Invesco Van Kampen Municipal Premium Income Trust (PIA)	Invesco Van Kampen Trust (VKL)	Invesco Van Kampen Trust for Value Municipals (VIM)		+	PIA, VKL, VIM + Acquiring Fund (assumes all Mergers are completed)
Shareholder Fees (Fees paid directly from your investment)						
Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price) (c)	None	None	None	None	None	None
Dividend Reinvestment Plan (d)	None	None	None	None	None	None
Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)						
Management Fees	0.68%	0.94%	0.89%	0.95%	0.95%	0.95%
Interest and Related Expenses (e)	0.87%	0.82%	0.79%	0.84%	0.84%	0.85%
Other Expenses	0.21%	0.18%	0.22%	0.13%	0.13%	0.14%
Total Annual Fund Operating Expenses	1.76%	1.94%	1.90%	1.92%	1.92%	1.94%
Fee Waiver and/or Expense Reimbursement	0.00%	0.00%	0.00%	0.00%	0.00%	0.20% (f)
Total Annual Fund Operating Expenses after Fee Waiver and/or Expense Reimbursement	1.76%	1.94%	1.90%	1.92%	1.92%	1.74%

(a) Expense ratios reflect estimated amounts for the current fiscal year. Preferred Shares do not bear any transaction or operating expenses of the Funds.

(b) *Pro forma* numbers are estimated as if the Merger had been completed as of March 1, 2011 and do not include estimated Merger costs. The Funds are not bearing any Merger costs.

- (c) Common Shares of each Fund purchased on the secondary market are not subject to sales charges, but may be subject to brokerage commissions or other charges.
- (d) Each participant in a Fund's dividend reinvestment plan pays a proportionate share of the brokerage commissions incurred with respect to open market purchases in connection with such plan. For each Fund's last fiscal year, participants in the plan incurred brokerage commissions representing \$0.03 per Common Share.
- (e) Interest and Related Expenses includes interest and other costs of providing leverage to the Funds, such as the costs to maintain lines of credit, issue and administer preferred shares, and establish and administer floating rate note obligations.
- (f) Effective upon the closing of the Mergers and provided that all of the Mergers are completed, the Adviser has contractually agreed, for at least two years from the closing date of the Mergers, to waive advisory fees and/or reimburse expenses to the extent necessary to limit the Acquiring Fund's Total Annual Fund Operating Expenses After Fee Waiver and/or Expense Reimbursement (which excludes certain items discussed below) to 0.89% of average daily net assets. In determining the Adviser's obligation to waive advisory fees and/or reimburse expenses, the following expenses are not taken into account, and could cause Total Annual Fund Operating Expenses After Fee Waiver and/or Expense Reimbursement to exceed the limit reflected above: (i) interest; (ii) taxes; (iii) dividend expense on short sales; (iv) extraordinary or non-routine items, including litigation expenses; and (v) expenses that the Fund has incurred but did not actually pay because of an expense offset arrangement. Unless the Board and the Adviser mutually agree to amend or continue the fee waiver agreement, it will terminate two years from the closing date of the Mergers.

Expense Example

This example compares the cost of investing in Acquiring Fund Common Shares with the cost of investing in Target Fund Common Shares based on the expense table set out above. The example also provides information on a *pro forma* basis giving effect to the proposed Merger with VKL and giving effect to all the Mergers. It also assumes an investment at net asset value (NAV) of \$1,000 for the periods shown; a 5% investment return each year; the Funds operating expenses remain the same each year; that any contractual fee limits or waivers are terminated after their current terms expire; and that all dividends and distributions are reinvested at NAV. Based on these assumptions the costs would be:

	1 Year	3 Years	5 Years	10 Years
PIA	\$18	\$55	\$ 95	\$207
VKL	\$20	\$61	\$105	\$226
VIM	\$19	\$60	\$103	\$222
Acquiring Fund (VMO)	\$20	\$60	\$104	\$224
Pro Forma (VKL + Acquiring Fund, assuming only Merger with VKL is completed)	\$20	\$60	\$104	\$224
Pro Forma (PIA, VKL, VIM + Acquiring Fund, assuming all of the Mergers are completed)	\$18	\$57	\$101	\$223

The Example is not a representation of past or future expenses. Each Fund's actual expenses, and an investor's direct and indirect expenses, may be more or less than those shown. The table and the assumption in the Example of a 5% annual return are required by regulations of the SEC applicable to all registered funds. The 5% annual return is not a prediction of and does not represent the Funds' projected or actual performance.

For further discussion regarding the Board's consideration of the fees and expenses of the Funds in approving the Mergers, see the section entitled "Additional Information About the Funds and the Mergers" Board Considerations in Approving the Mergers" in this Proxy Statement.

How do the performance records of the Funds compare?

Total return figures based on NAV and based on market price for each Fund's Common Shares as of [], 2012 are shown below. The returns shown below reflect reinvestment of all distributions, do not reflect the effect of any applicable taxes, and are not indicative of a Fund's future performance.

	1 Year	3 Years	5 Years	10 Years
PIA (at NAV)	23.69%	15.32%	4.15%	5.78%
PIA (market price)	30.16%	20.13%	5.64%	6.88%
VKL (at NAV)	23.59%	17.28%	3.90%	5.88%
VKL (market price)	28.24%	21.52%	6.10%	6.92%
VIM (at NAV)	22.07%	14.77%	3.81%	5.18%
VIM (market price)	29.87%	11.14%	5.59%	5.41%
Acquiring Fund (VMO) (at NAV)	23.19%	17.12%	4.00%	5.67%
Acquiring Fund (VMO) (market price)	31.40%	19.68%	6.77%	7.24%
Barclays Municipal Bond Index	12.42%	7.94%	5.50%	5.32%

Based on each Fund's February 2012 distribution and the closing market price of each Fund's shares on February 29, 2012, PIA had an annualized monthly distribution yield of 5.89% per share, VKL had an annualized monthly distribution yield of 6.68% per share, VIM had an annualized monthly distribution yield of 6.17% per share, and the Acquiring Fund had an annualized monthly distribution yield of 6.78% per share.

Additional performance and yield information is included in each Fund's most recent report to shareholders.

How do the management, investment adviser and other service providers of the Funds compare?

Each Fund is overseen by a Board that includes many of the same individuals (described in Proposals 3 and 4) and each Fund's affairs are managed by the same officers with minor exceptions, as described in Exhibit E. The Adviser, a registered investment adviser, serves as investment adviser for each Fund pursuant to an investment advisory agreement that contains substantially identical terms (except for fees) for each Fund. The Adviser oversees the management of each Fund's portfolio, manages each Fund's business affairs and provides certain clerical, bookkeeping and other administrative services. The Adviser has acted as an investment adviser since its organization in 1976. As of March 31, 2012, the Adviser had \$309.2 billion under management. The Adviser is located at 1555 Peachtree Street, N.E., Atlanta, Georgia 30309.

The Adviser is an indirect, wholly-owned subsidiary of Invesco Ltd ("Invesco"). Invesco is a leading independent global investment management company, dedicated to helping people worldwide build their financial

security. Invesco provides a comprehensive array of enduring solutions for retail, institutional and high-net-worth clients around the world. Invesco had \$672.8 billion in assets under management as of March 31, 2012. Invesco is organized under the laws of Bermuda, and its common shares are listed and traded on the New York Stock Exchange under the symbol IVZ. Invesco is located at 1555 Peachtree Street, N.E., Atlanta, Georgia 30309.

All of the ordinary business expenses incurred in the operations of a Fund are borne by the Fund unless specifically provided otherwise in the advisory agreement. Expenses borne by the Funds include but are not limited to brokerage commissions, taxes, legal, accounting, auditing, or governmental fees, the cost of preparing share certificates, custodian, transfer and shareholder service agent costs, expenses of registering and qualifying shares for sale, expenses relating to Trustee and shareholder meetings, the cost of preparing and distributing reports and notices to shareholders, and the fees and other expenses incurred by the Funds in connection with membership in investment company organizations.

A discussion of the basis for the Board's most recent approval of each Fund's investment advisory agreements is included in the Fund's semiannual report for the six months ended August 31, 2011.

The contractual advisory fee rate of the Acquiring Fund is higher than the contractual advisory fee of PIA. The following table compares the advisory fee rates of the Funds.

	PIA	VKL	VIM	Acquiring Fund (VMO)
Contractual Fee Rate	0.40% of managed assets	0.55% of managed assets	0.55% of managed assets	0.55% of managed assets
Net Effective Fee Rate*	0.68%	0.94%	0.89%	0.95%

* Varies based on the amount of financial leverage used by the Fund.

Each of the Funds calculates its advisory fee as a percentage of its managed assets, which for this purpose means the Fund's net assets, plus assets attributable to outstanding Preferred Shares and the amount of any borrowings incurred for the purpose of leverage (whether or not such borrowed amounts are reflected in the Fund's financial statements for purposes of generally accepted accounting principles). As a result, the actual amount paid by each Fund, as a percentage of NAV, will typically exceed the contractual rate. For more information, see the table above under How do the Funds' expenses compare?

Contingent on the completion of all of the Mergers, the Adviser has contractually agreed for at least two years from the closing date of the Mergers to waive advisory fees and/or reimburse expenses to the extent necessary to limit total annual operating expenses of the Acquiring Fund to 0.89%, subject to certain exceptions that are identical for each Fund.

Each Fund's advisory agreement provides that the Adviser may delegate any and all of its rights, duties, and obligations to one or more wholly-owned affiliates of Invesco as sub-advisers (the Invesco Sub-Advisers). Pursuant to each Fund's Master Intergroup Sub-Advisory Contract, the Invesco Sub-Advisers may be appointed by the Adviser from time to time to provide discretionary investment management services, investment advice, and/or order execution services. Each Invesco Sub-Adviser is registered with the SEC as an investment adviser.

Other key service providers to the Target Funds, including the administrator, transfer agent, custodian, and auditor, provide substantially the same services to the Acquiring Fund. Each Fund has entered into a master administrative services agreement with the Adviser, pursuant to which the Adviser performs or arranges for the provision of accounting and other administrative services to the Funds that are not required to be performed by the Adviser under its investment advisory agreements with the Funds. The custodian for the Funds is State Street Bank and Trust Company, One Lincoln Street, Boston, Massachusetts 02111. The transfer agent and dividend paying agent for the Funds is Computershare Trust Company, N.A., P.O. Box 43078, Providence, Rhode Island 02940-3078.

Does the Acquiring Fund have the same portfolio managers as the Target Funds?

Yes. The portfolio management team for the Target Funds is the same as the portfolio management team for the Acquiring Fund. Information on the portfolio managers of the Funds is included below under Additional Information

About the Funds and the Mergers Portfolio Managers and in the SAI.

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How do the distribution policies of the Funds compare?

Subject to a Fund's obligations to pay dividends to Preferred Shareholders, if any, each Fund declares and pays monthly dividends from net investment income to Common Shareholders. Each Fund declares daily and pays monthly dividends from net investment income to Preferred Shareholders. Distributions from net realized capital gain, if any, are generally paid annually and are distributed on a pro rata basis to Common and Preferred Shareholders. Each Fund may also declare and pay capital gains distributions more frequently, if necessary, in order to reduce or eliminate federal excise or income taxes on the Fund. Each Fund offers a dividend reinvestment plan for Common Shareholders, which is more fully described in the Fund's shareholder reports.

Will there be any tax consequences resulting from the Mergers?

Each Merger is designed to qualify as a tax-free reorganization for federal income tax purposes and each Fund anticipates receiving a legal opinion to that effect (although there can be no assurance that the Internal Revenue Service will adopt a similar position). This means that the shareholders of each Target Fund will recognize no gain or loss for federal income tax purposes upon the exchange of all of their shares in such Target Fund for shares in the Acquiring Fund. Shareholders should consult their tax advisor about state and local tax consequences of the Mergers, if any, because the information about tax consequences in this Proxy Statement relates only to the federal income tax consequences of the Mergers.

Prior to the closing of each Merger, each Target Fund will declare one or more dividends, and the Acquiring Fund may, but is not required to, declare a dividend, payable at or near the time of closing to their respective shareholders to the extent necessary to avoid entity level tax or as otherwise deemed desirable. Such distributions, if made, are anticipated to be made in the 2012 calendar year and, to the extent a distribution is not an exempt-interest dividend (as defined in the Code), the distribution may be taxable to shareholders in such year for federal income tax purposes. It is anticipated that Fund distributions will be primarily dividends that are exempt from regular federal income tax, although a portion of such dividends may be taxable to shareholders as ordinary income or capital gains. Any such final distribution paid to Common Shareholders by a Target Fund will be made in cash and not reinvested in additional Common Shares of the Target Fund. See the discussion under Description of Securities to be Issued Dividend Reinvestment Plan for further information.

When are the Mergers expected to occur?

If shareholders of a Target Fund and the Acquiring Fund approve the Merger and the Redomestication (Proposal 1), it is anticipated that the Merger will occur in the third quarter of 2012.

What will happen if shareholders of a Fund do not approve a Merger?

If a Merger is not approved by shareholders or is for other reasons unable to be completed, the applicable Fund will continue to operate and the Fund's Board will consider other possible courses of action for the Fund.

What if I do not wish to participate in the Merger?

If the Mergers are approved, if you are a Target Fund Common Shareholder and you do not wish to have your Target Fund Common Shares exchanged for Common Shares of the Acquiring Fund, you may sell your Target Fund Common Shares on an Exchange prior to the consummation of the Merger. Acquiring Fund Common Shareholders may also sell their Common Shares if they do not want to continue to own Common Shares in the combined Fund following a Merger. If you sell your Common Shares, you will incur any applicable brokerage charges, and if you hold Common Shares in a taxable account, you will recognize a taxable gain or loss based on the difference between your tax basis in the Common Shares and the amount you receive for them. After the Merger, you may sell your Common Shares of the Acquiring Fund on an Exchange.

Each Target Fund's governing documents provide that shareholders do not have the right to dissent and obtain payment of the fair value of their shares, and each Target Fund believes that its Common Shareholders will not have such rights. However, because certain contrary interpretations of applicable Massachusetts law could apply to the Target Funds, information with respect to dissenters' rights under Massachusetts law is provided under Other Matters Dissenters' Rights.

Where can I find more information about the Funds and the Mergers?

The remainder of this Proxy Statement contains additional information about the Funds and the Mergers, as well as information on the other proposals to be voted on at the Meeting. You are encouraged to read the entire document. Additional information about each Fund can be found in the SAI and in the Fund's shareholder reports. If you need any assistance, or have any questions regarding the Mergers or how to vote, please call Invesco Client Services at (800) 341-2929.

ADDITIONAL INFORMATION ABOUT THE FUNDS AND THE MERGERS

Principal Investment Strategies

The following section compares the principal investment strategies of the Target Funds with the principal investment strategies of the Acquiring Fund and highlights any key differences. In addition to the principal investment strategies described below, each Fund may use other investment strategies and is also subject to certain additional investment policies and limitations, which are described in the SAI and in each Fund's shareholder reports. Page [] of this Proxy Statement describes how you can obtain copies of these documents.

Comparison of Principal Investment Strategies of VKL, VIM and the Acquiring Fund

Investment Strategies. The principal investment strategies of the Acquiring Fund are substantially the same as the principal investment strategies of VKL and VIM. Under normal market conditions, for each of the Acquiring Fund and VKL, at least 80% of the Fund's net assets will be invested in municipal securities. Under normal market conditions, at least 80% of VIM's total assets will be invested in municipal securities. The 80% policy stated in the foregoing sentences is a fundamental policy of each Fund, which means it may not be changed without the approval of a majority of the Fund's outstanding voting securities, as defined in the 1940 Act.

Each Fund's strategy with respect to investing in investment grade securities is substantially similar. Under normal market conditions, the Acquiring Fund and VKL's investment adviser, Invesco Advisers, Inc. (the Adviser), seeks to achieve the Fund's investment objective by investing at least 80% of the Fund's net assets in investment grade municipal securities. Under normal market conditions, the Adviser seeks to achieve VIM's investment objective by investing at least 80% of the Fund's total assets in investment grade municipal securities. Investment grade securities are: (i) securities rated BBB- or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. (S&P) or Baa3 or higher by Moody's Investors Service, Inc. (Moody's) or an equivalent rating by another nationally recognized statistical rating organization (NRSRO), (ii) comparably rated short term securities, or (iii) unrated municipal securities determined by the Adviser to be of comparable quality at the time of purchase.

The Funds have substantially similar policies with respect to investment in lower-grade municipal securities. Under normal market conditions, the Acquiring Fund and VKL may invest up to 20% of their net assets in municipal securities rated below investment grade or that are unrated but determined by the Adviser to be of comparable quality at the time of purchase. Under normal market conditions, VIM may invest up to 20% of its total assets in municipal securities rated below investment grade or that are unrated but determined by the Adviser to be of comparable quality at the time of purchase. Lower-grade securities are commonly referred to as junk bonds and involve greater risks than investments in higher-grade securities. Each Fund does not purchase securities that are in default or rated in categories lower than B- by S&P or B3 by Moody's or unrated securities of comparable quality.

The foregoing percentage and rating limitations apply at the time of acquisition of a security based on the last previous determination of the Funds' net asset value. Any subsequent change in any rating by a rating service or change in percentages resulting from market fluctuations or other changes in the Funds' total assets will not require elimination of any security from the Funds' portfolio.

In addition, under normal market conditions, VKL seeks to achieve its investment objectives primarily by investing in a portfolio of municipal securities selected by the Adviser from those sectors of the municipal securities market that, in the opinion of the Adviser, offer a significant opportunity for a high level of current income exempt from federal income tax without undue risk to income or principal. The Adviser's investment approach with respect

to VKL is to identify those sectors of the municipal securities market that the Adviser believes are undervalued and, within those sectors, to select individual municipal securities that are consistent with VKL's investment objectives. The Adviser believes that securities in undervalued sectors of the municipal securities market generally offer a higher yield than comparable municipal securities in more fully valued sectors of the municipal securities market. Investment in undervalued sectors of the municipal securities market also presents the opportunity for capital gains as the sector becomes more fully valued. The Adviser seeks to take advantage of such opportunities by allocating a significant portion of VKL's assets to such sectors and by seeking to minimize risk to income and principal through extensive credit research and by investing substantially all of its total assets in investment grade rated securities.

Under current market conditions, the Adviser expects to allocate VKL's investments in municipal securities primarily among the transportation, local and state general obligation, health care and utilities related sectors of the municipal securities market. The Adviser may from time to time adjust the proportion of VKL's assets allocated among these and other sectors of the municipal securities market based upon its assessment of a variety of factors, including market conditions, general economic conditions and political considerations. Subject to the VKL's policies with respect to investment in any single industry and investment in securities rated below investment grade, there is no limit on the percentage of the VKL's total assets that may be invested in municipal securities relating to any particular sector of the municipal securities market.

Each Fund may invest all or a substantial portion of its total assets in municipal securities that may subject certain investors to the federal alternative minimum tax and, therefore, a substantial portion of the income produced by each Fund may be taxable for such investors under the federal alternative minimum tax. Accordingly, each Fund may not be a suitable investment for investors who are already subject to the federal alternative minimum tax or could become subject to the federal alternative minimum tax as a result of an investment in the Fund.

The Adviser buys and sells securities for each Fund with a view towards seeking a high level of current income exempt from federal income taxes, subject to reasonable credit risk. As a result, each Fund will not necessarily invest in the highest yielding municipal securities permitted by its investment policies if the Adviser determines that market risks or credit risks associated with such investments would subject each Fund's portfolio to undue risk. The potential realization of capital gains or losses resulting from possible changes in interest rates will not be a major consideration and frequency of portfolio turnover generally will not be a limiting factor if the Adviser considers it advantageous to purchase or sell securities.

Each Fund employs a bottom-up, research-driven approach to identify securities that have attractive risk/reward characteristics for the sectors in which the Fund invests. Each Fund also integrates macroeconomic analysis and forecasting into its evaluation and ranking of various sectors and individual securities. Each Fund employs leverage in an effort to enhance its income and total return. Sell decisions are based on: (i) a deterioration or likely deterioration of an individual issuer's capacity to meet its debt obligations on a timely basis; (ii) a deterioration or likely deterioration of the broader fundamentals of a particular industry or sector; and (iii) opportunities in the secondary or primary market to purchase a security with better relative value.

Municipal Securities. Municipal securities are obligations issued by or on behalf of states, territories or possessions of the United States, the District of Columbia and their cities, counties, political subdivisions, agencies and instrumentalities, the interest on which, in the opinion of bond counsel or other counsel to the issuers of such securities, is, at the time of issuance, exempt from federal income tax. The Adviser does not conduct its own analysis of the tax status of the interest paid by municipal securities held by each Fund, but will rely on the opinion of counsel to the issuer of each such instrument.

The issuers of municipal securities obtain funds for various public purposes, including the construction of a wide range of public facilities such as airports, highways, bridges, schools, hospitals, housing, mass transportation, streets and water and sewer works. Other public purposes for which municipal securities may be issued include refunding outstanding obligations, obtaining funds for general operating expenses and obtaining funds to lend to other public institutions and facilities. Certain types of municipal securities are issued to obtain funding for privately operated facilities.

The yields of municipal securities depend on, among other things, general money market conditions, general conditions of the municipal securities market, size of a particular offering, the maturity of the obligation and rating of

the issue. There is no limitation as to the maturity of the municipal securities in which the Funds may invest. The ratings of NRSROs represent their opinions of the quality of the municipal securities they undertake to rate. These ratings are general and are not absolute standards of quality. Consequently, municipal securities with

the same maturity, coupon and rating may have different yields while municipal securities of the same maturity and coupon with different ratings may have the same yield.

The two principal classifications of municipal securities are general obligation and revenue or special delegation securities. General obligation securities are secured by the issuer's pledge of its faith, credit and taxing power for the payment of principal and interest. Revenue securities are usually payable only from the revenues derived from a particular facility or class of facilities or, in some cases, from the proceeds of a special excise tax or other specific revenue source. Industrial development bonds are usually revenue securities, the credit quality of which is normally directly related to the credit standing of the industrial user involved.

Within these principal classifications of municipal securities, there are a variety of types of municipal securities, including:

Variable rate securities, which bear rates of interest that are adjusted periodically according to formulae intended to reflect market rates of interest.

Municipal notes, including tax, revenue and bond anticipation notes of short maturity, generally less than three years, which are issued to obtain temporary funds for various public purposes.

Variable rate demand notes, which are obligations that contain a floating or variable interest rate adjustment formula and which are subject to a right of demand for payment of the principal balance plus accrued interest either at any time or at specified intervals. The interest rate on a variable rate demand note may be based on a known lending rate, such as a bank's prime rate, and may be adjusted when such rate changes, or the interest rate may be a market rate that is adjusted at specified intervals. The adjustment formula maintains the value of the variable rate demand note at approximately the par value of such note at the adjustment date.

Municipal leases, which are obligations issued by state and local governments or authorities to finance the acquisition of equipment and facilities. Certain municipal lease obligations may include non-appropriation clauses which provide that the municipality has no obligation to make lease or installment purchase payments in future years unless money is appropriated for such purpose on a yearly basis.

Private activity bonds, which are issued by, or on behalf of, public authorities to finance privately operated facilities.

Participation certificates, which are obligations issued by state or local governments or authorities to finance the acquisition of equipment and facilities. They may represent participations in a lease, an installment purchase contract or a conditional sales contract.

Municipal securities that may not be backed by the faith, credit and taxing power of the issuer.

Municipal securities that are privately placed and that may have restrictions on the Fund's ability to resell, such as timing restrictions or requirements that the securities only be sold to qualified institutional investors.

Municipal securities that are insured by financial insurance companies.

Derivatives. Each Fund may use derivative instruments for a variety of purposes. The Acquiring Fund and VIM principally use derivatives for hedging and risk management, and (other than futures or swaps) for portfolio management or to earn income. Similarly, VKL principally uses derivatives for hedging, risk management or portfolio management, and (other than futures and swaps) to earn income. Derivatives are financial instruments whose value is based on the value of another underlying asset, interest rate, index or financial instrument. The derivative instruments and techniques that each Fund principally uses include:

Futures. A futures contract is a standardized agreement between two parties to buy or sell a specific quantity of an underlying instrument at a specific price at a specific future time. The value of a futures contract tends to increase and decrease in tandem with the value of the underlying instrument. Futures contracts are bilateral agreements, with both the purchaser and the seller equally obligated to complete the transaction. Depending on the terms of the particular contract, futures contracts are settled through either physical delivery of the underlying instrument on the settlement date or by payment of a cash settlement amount on the settlement date.

Swaps. A swap contract is an agreement between two parties pursuant to which the parties exchange payments at specified dates on the basis of a specified notional amount, with the payments calculated by reference to specified securities, indexes, reference rates, currencies or other instruments. Most swap agreements provide that when the period payment dates for both parties are the same, the payments are made on a net basis (i.e., the two

payment streams are netted out, with only the net amount paid by one party to the other). Each Fund's obligations or rights under a swap contract entered into on a net basis will generally be equal only to the net amount to be paid or received under the agreement, based on the relative values of the positions held by each counterparty.

Inverse Floating Rate Obligations. The Funds may invest in inverse floating rate obligations. Inverse floating rate obligations are variable debt instruments that pay interest at rates that move in the opposite direction of prevailing interest rates. Because the interest rate paid to holders of such obligations is generally determined by subtracting a variable or floating rate from a predetermined amount, the interest rate paid to holders of such obligations will decrease as such variable or floating rate increases and increase as such variable or floating rate decreases. The inverse floating rate obligations in which each Fund may invest include derivative instruments such as residual interest bonds (RIBs) or tender option bonds (TOBs). Such instruments are typically created by a special purpose trust that holds long-term fixed rate bonds and sells two classes of beneficial interests: short-term floating rate interests, which are sold to third party investors, and inverse floating residual interests, which are purchased by each Fund. The short-term floating rate interests have first priority on the cash flow from the bond held by the special purpose trust and each Fund (as holder of the inverse floating residual interests) is paid the residual cash flow from the bond held by the special purpose trust.

When-Issued and Delayed Delivery Transactions. Each Fund may purchase and sell securities on a when-issued and delayed delivery basis, which means that each Fund buys or sells a security with payment and delivery taking place in the future. The payment obligation and the interest rate are fixed at the time each Fund enters into the commitment. No income accrues on such securities until the date each Fund actually takes delivery of the securities.

Preferred Shares. Each Fund uses leverage in the form of Preferred Shares. Dividends on the Preferred Shares will typically be comparable to the yields on investment grade short-term municipal securities, although the assets attributable to the Preferred Shares will generally be invested in longer-term municipal securities, which typically have higher yields than short-term municipal securities. Assuming such a yield differential, this leveraged capital structure enables each Fund to pay a potentially higher yield on the Common Shares than similar investment companies that do not use leverage.

Each Fund will generally maintain an asset coverage of the value of each Fund's total assets, less all liabilities and indebtedness of each Fund not represented by the Preferred Shares, of 200% of the aggregate liquidation value of the Preferred Shares. The liquidation value of the Preferred Shares is their aggregate original purchase price, plus any accrued and unpaid dividends.

Portfolio Turnover. Each Fund generally will not engage in the trading of securities for the purpose of realizing short-term profits, but it will adjust its portfolio as it deems advisable in view of prevailing or anticipated market conditions to accomplish the Fund's investment objective. For example, each Fund may sell portfolio securities in anticipation of a movement in interest rates. Other than for tax purposes, frequency of portfolio turnover will not be a limiting factor if a Fund considers it advantageous to purchase or sell securities. Each Fund does not anticipate that its annual portfolio turnover rate will be in excess of 100%. A high rate of portfolio turnover involves correspondingly greater brokerage commission and transaction expenses than a lower rate, which expenses must be borne by the Funds and their shareholders. High portfolio turnover may also result in the realization of substantial net short-term capital gains, and any distributions resulting from such gains will be taxable at ordinary income rates for federal income tax purposes.

Temporary Defensive Strategy. When market conditions dictate a more defensive investment strategy, each Fund may, on a temporary basis, hold cash or invest a portion or all of its assets in high-quality, short-term municipal securities. If such municipal securities are not available or, in the judgment of the Adviser, do not afford sufficient protection against adverse market conditions, each Fund may invest in taxable instruments. Such taxable securities may include securities issued or guaranteed by the U.S. government, its agencies or instrumentalities, other investment grade quality fixed income securities, prime commercial paper, certificates of deposit, bankers' acceptances and other obligations of domestic banks, and repurchase agreements and money market funds (including money market funds affiliated with Invesco). In taking a defensive position, each Fund would temporarily not be pursuing its principal investment strategies and may not achieve its investment objective.

Zero Coupon / PIK Bonds. Each Fund may invest in securities not producing immediate cash income, including zero coupon securities or pay-in-kind (PIK) securities, when their effective yield over comparable instruments producing cash income makes these investments attractive. PIK securities are debt securities that pay interest through the issuance of additional securities. Zero coupon securities are debt securities that do not entitle

the holder to any periodic payment of interest prior to maturity or a specified date when the securities begin paying current interest. They are issued and traded at a discount from their face amounts or par value, which discount varies depending on the time remaining until cash payments begin, prevailing interest rates, liquidity of the security and the perceived credit quality of the issuer. The securities do not entitle the holder to any periodic payments of interest prior to maturity, which prevents any reinvestment of interest payments at prevailing interest rates if prevailing interest rates rise. On the other hand, because there are no periodic interest payments to be reinvested prior to maturity, zero coupon securities eliminate the reinvestment risk and may lock in a favorable rate of return to maturity if interest rates drop. In addition, each Fund would be required to distribute the income on these instruments as it accrues, even though the Funds will not receive all of the income on a current basis or in cash. Thus, each Fund may have to sell other investments, including when it may not be advisable to do so, to make income distributions to the Common Shareholders.

As required by Rule 35d-1 under the 1940 Act, in addition to the investment strategies and policies discussed above, each Fund has a fundamental policy to invest, under normal circumstances, at least 80% of its total assets in investments the income from which is exempt from federal income tax.

More information on these and other investment strategies of the Funds is available in the SAI.

Comparison of Principal Investment Strategies of PIA and the Acquiring Fund

Investment Strategies. The principal investment strategies of the Acquiring Fund and PIA are similar with respect to investing in municipal securities. Under normal market conditions, at least 80% of the Acquiring Fund's net assets will be invested in municipal securities. The policy stated in the foregoing sentence is a fundamental policy of the Acquiring Fund, which means that it may not be changed without the approval of a majority of the Fund's outstanding voting securities, as defined in the 1940 Act. Similarly, as a fundamental policy, PIA will invest at least 80% of its net assets in Municipal Obligations, except during temporary defensive periods. As a fundamental policy, the remaining portion of PIA's net assets may be invested in temporary investments and in options and futures, all as described below. As a fundamental policy, under normal circumstances, PIA expects that substantially greater than 80% of its net assets will be invested in Municipal Obligations. For PIA, Municipal Obligations consist of Municipal Bonds, Municipal Notes and Municipal Commercial Paper, as well as lease obligations, including such instruments purchased on a when-issued or delayed delivery basis.

Each Fund's strategy with respect to investing in investment grade securities is also similar. Under normal market conditions, the Adviser seeks to achieve the Acquiring Fund's investment objective by investing at least 80% of the Fund's net assets in investment grade municipal securities. For purposes of this 80% policy, investment grade securities are: (i) securities rated BBB- or higher by S&P or Baa3 or higher by Moody's or an equivalent rating by another NRSRO, (ii) comparably rated short term securities, or (iii) unrated municipal securities determined by the Adviser to be of comparable quality at the time of purchase.

As a fundamental policy, except during temporary defensive periods, PIA will invest at least 80% of its net assets in: (a) Municipal Bonds which are rated at the time of purchase within the four highest grades (Baa or BBB or better) by Moody's or S&P; (b) Municipal Notes which at the time of purchase are rated in the two highest grades by Moody's or in the three highest grades by S&P, or, if not rated, whose issuers have outstanding one or more issues of Municipal Bonds rated as set forth in clause (a) of this paragraph; and (c) Municipal Commercial Paper which at the time of purchase is rated P-1 or higher by Moody's and A-1 or higher by S&P. PIA considers such Municipal Bonds, Notes and Commercial Paper to be investment grade securities, although securities rated Baa by Moody's are considered to have speculative characteristics. For purposes of PIA's foregoing percentage limitation, any Municipal Bond or Municipal Note which depends directly or indirectly on the credit of the federal government shall be considered to have a Moody's rating of Aaa.

The Funds have similar policies with respect to investment in lower-grade municipal securities. Lower-grade securities are commonly referred to as junk bonds and involve greater risks than investments in higher-grade securities. Under normal market conditions, the Acquiring Fund may invest up to 20% of its net assets in municipal securities rated below investment grade or that are unrated but determined by the Adviser to be of comparable quality at the time of purchase.

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As a fundamental policy, up to 20% of PIA's net assets may be invested in all other permitted investments, including temporary investments (as described below) and including Municipal Obligations which are not rated by Moody's or S&P or, if rated, are not considered investment grade. Also, as a fundamental policy, PIA does not have a minimum quality rating standard with respect to the foregoing 20% portion of the portfolio and, thus, with respect

to that portion of the portfolio, PIA may invest in instruments rated as low as C by Moody's or S&P. Securities rated Ba or BB or lower by Moody's or S&P, respectively, are considered to be speculative investments.

The Funds do not purchase securities that are in default or rated in categories lower than B- by S&P or B3 by Moody's or unrated securities of comparable quality.

Certain Municipal Bonds in which PIA may invest, and the municipal securities in which the Acquiring Fund may invest, without limit may subject certain investors to the federal alternative minimum tax and, therefore, a substantial portion of the income produced by each Fund may be taxable for such investors under the federal alternative minimum tax. Accordingly, each Fund may not be a suitable investment for investors who are already subject to the federal alternative minimum tax or could become subject to the federal alternative minimum tax as a result of an investment in the Funds.

Both Funds may invest in temporary investments for defensive purposes. In taking a defensive position, the Funds would temporarily not be pursuing their principal investment strategies and may not achieve their investment objective.

With respect to the Acquiring Fund, when market conditions dictate a more defensive investment strategy, the Fund may, on a temporary basis, hold cash or invest a portion or all of its assets in high-quality, short-term municipal securities. If such municipal securities are not available or, in the judgment of the Adviser, do not afford sufficient protection against adverse market conditions, the Acquiring Fund may invest in taxable instruments. Such taxable securities may include securities issued or guaranteed by the U.S. government, its agencies or instrumentalities, other investment grade quality fixed income securities, prime commercial paper, certificates of deposit, bankers' acceptances and other obligations of domestic banks, repurchase agreements and money market funds (including money market funds affiliated with the Adviser).

As a fundamental policy, PIA may invest more than 20% of its net assets in temporary investments for defensive purposes (e.g., investments made during times where temporary imbalances of supply and demand or other temporary dislocations in the Municipal Obligations market adversely affect the price at which Municipal Bonds, Notes and Commercial Paper are available). As a fundamental policy, PIA will invest only in temporary investments which are certificates of deposit of U.S. domestic banks, including foreign branches of domestic banks, with assets of \$1 billion or more; bankers' acceptances; time deposits; U.S. Government securities; or debt securities rated within the two highest grades by Moody's or S&P or, if not rated, are of comparable quality as determined by the Trustees, and which mature within one year from the date of purchase. Temporary investments of PIA may also include repurchase agreements, although PIA will not invest in repurchase agreements that do not mature within seven days if any such investment amounts to more than 10% of its total net assets.

As a fundamental policy, except during temporary defensive periods, PIA may not invest more than 20% of its net assets in temporary investments, the income for which may be subject to federal income taxes.

With respect to each Fund, the foregoing percentage and rating limitations apply at the time of acquisition of a security based on the last previous determination of the Fund's net asset value. Any subsequent change in any rating by a rating service or change in percentages resulting from market fluctuations or other changes in a Fund's total assets will not require elimination of any security from the Fund's portfolio.

The Adviser buys and sells securities for the Funds with a view towards seeking a high level of current income exempt from federal income taxes, subject to reasonable credit risk. As a result, the Funds will not necessarily invest in the highest yielding municipal securities permitted by its investment policies if the Adviser determines that market risks or credit risks associated with such investments would subject the Fund's portfolio to undue risk. The potential realization of capital gains or losses resulting from possible changes in interest rates will not be a major consideration and frequency of portfolio turnover generally will not be a limiting factor if the Adviser considers it advantageous to purchase or sell securities. There is no limitation as to the maturity of the municipal securities in which the Funds may invest. In addition, PIA intends to emphasize investments in Municipal Obligations with long-term maturities because such long-term obligations generally produce higher income than short-term obligations although such long-term obligations are more susceptible to market fluctuations resulting from changes in interest rates than shorter-term obligations. The average maturity of PIA's portfolio, as well as the emphasis on longer-term obligations, may vary depending upon market conditions.

Each Fund employs a bottom-up, research-driven approach to identify securities that have attractive risk/reward characteristics for the sectors in which the Fund invests. Each Fund also integrates macroeconomic analysis and forecasting into its evaluation and ranking of various sectors and individual securities. Each Fund

employs leverage in an effort to enhance its income and total return. Sell decisions are based on: (i) a deterioration or likely deterioration of an individual issuer's capacity to meet its debt obligations on a timely basis; (ii) a deterioration or likely deterioration of the broader fundamentals of a particular industry or sector; and (iii) opportunities in the secondary or primary market to purchase a security with better relative value.

The types of municipal securities in which the Acquiring Fund invests are obligations issued by or on behalf of states, territories or possessions of the United States, the District of Columbia and their cities, counties, political subdivisions, agencies and instrumentalities, the interest on which, in the opinion of bond counsel or other counsel to the issuers of such securities, is, at the time of issuance, exempt from federal income tax.

With respect to PIA, Municipal Bonds and Municipal Notes are debt obligations of states, cities, municipalities and municipal agencies which generally have maturities, at the time of their issuance, of either one year or more (Bonds) or from six months to three years (Notes). Municipal Commercial Paper, as presently constituted, while having a final maturity of more than one year, is subject to periodic rate changes and short-term put or tender dates selected at the holder's option, prior to final maturity. Municipal Obligations in which the Fund will primarily invest bear interest that, in the opinion of bond counsel to the issuer, is exempt from federal income tax.

The Adviser does not conduct its own analysis of the tax status of the interest paid by municipal securities (and Municipal Obligations) held by each Fund, but will rely on the opinion of counsel to the issuer of each such instrument.

In the following discussion, the term municipal securities also includes Municipal Obligations. The issuers of municipal securities obtain funds for various public purposes, including the construction of a wide range of public facilities such as airports, highways, bridges, schools, hospitals, housing, mass transportation, streets and water and sewer works. Other public purposes for which municipal securities may be issued include refunding outstanding obligations, obtaining funds for general operating expenses and obtaining funds to lend to other public institutions and facilities. Certain types of municipal securities are issued to obtain funding for privately operated facilities.

The yields of municipal securities depend on, among other things, general money market conditions, general conditions of the municipal securities market, size of a particular offering, the maturity of the obligation and rating of the issue. The ratings of NRSROs represent their opinions of the quality of the municipal securities they undertake to rate. These ratings are general and are not absolute standards of quality. Consequently, municipal securities with the same maturity, coupon and rating may have different yields while municipal securities of the same maturity and coupon with different ratings may have the same yield.

The two principal classifications of municipal securities are general obligation and revenue or special delegation securities. General obligation securities are secured by the issuer's pledge of its faith, credit and taxing power for the payment of principal and interest. Revenue securities are usually payable only from the revenues derived from a particular facility or class of facilities or, in some cases, from the proceeds of a special excise tax or other specific revenue source. Industrial development bonds are usually revenue securities, the credit quality of which is normally directly related to the credit standing of the industrial user involved.

Within these principal classifications of municipal securities, there are a variety of types of municipal securities, including:

Variable rate securities, which bear rates of interest that are adjusted periodically according to formulae intended to reflect market rates of interest.

Municipal notes, including tax, revenue and bond anticipation notes of short maturity, generally less than three years, which are issued to obtain temporary funds for various public purposes.

Variable rate demand notes, which are obligations that contain a floating or variable interest rate adjustment formula and which are subject to a right of demand for payment of the principal balance plus accrued interest either at any time or at specified intervals. The interest rate on a variable rate demand note may be based on a known lending rate, such as a bank's prime rate, and may be adjusted when such rate changes, or the interest rate may be a market rate that is adjusted at specified intervals. The adjustment formula maintains the value of the variable rate demand note at approximately the par value of such note at the adjustment date.

Municipal leases, which are obligations issued by state and local governments or authorities to finance the acquisition of equipment and facilities. Certain municipal lease obligations may include non-appropriation clauses

which provide that the municipality has no obligation to make lease or installment purchase payments in future years unless money is appropriated for such purpose on a yearly basis.

Participation certificates, which are obligations issued by state or local governments or authorities to finance the acquisition of equipment and facilities. They may represent participations in a lease, an installment purchase contract or a conditional sales contract.

Municipal securities that may not be backed by the faith, credit and taxing power of the issuer.

Municipal securities that are privately placed and that may have restrictions on the Fund's ability to resell, such as timing restrictions or requirements that the securities only be sold to qualified institutional investors.

Private activity bonds, which are issued by, or on behalf of, public authorities to finance privately operated facilities.

Municipal securities that are insured by financial insurance companies.

For PIA, certain private activity bonds, industrial development bonds and pollution control bonds may be included within the term Municipal Bonds if the interest paid thereon qualifies as exempt from federal income tax. In addition, the percentage of PIA's total assets in any one of certain specified categories of private activity bonds may not exceed 25% of its total assets.

Derivatives. Each Fund may use derivative instruments for a variety of purposes. The Acquiring Fund may use derivatives for hedging and risk management, and (other than futures or swaps) for portfolio management or to earn income. Similarly, PIA may use derivatives (other than swaps), and may do so for hedging, risk management, portfolio management or to earn income. Derivatives are financial instruments whose value is based on the value of another underlying asset, interest rate, index or financial instrument. The derivative instruments and techniques that each Fund may use include:

Futures. A futures contract is a standardized agreement between two parties to buy or sell a specific quantity of an underlying instrument at a specific price at a specific future time. The value of a futures contract tends to increase and decrease in tandem with the value of the underlying instrument. Futures contracts are bilateral agreements, with both the purchaser and the seller equally obligated to complete the transaction. Depending on the terms of the particular contract, futures contracts are settled through either physical delivery of the underlying instrument on the settlement date or by payment of a cash settlement amount on the settlement date.

Swaps. A swap contract is an agreement between two parties pursuant to which the parties exchange payments at specified dates on the basis of a specified notional amount, with the payments calculated by reference to specified securities, indexes, reference rates, currencies or other instruments. Most swap agreements provide that when the period payment dates for both parties are the same, the payments are made on a net basis (i.e., the two payment streams are netted out, with only the net amount paid by one party to the other). Each Fund's obligations or rights under a swap contract entered into on a net basis will generally be equal only to the net amount to be paid or received under the agreement, based on the relative values of the positions held by each counterparty.

Inverse Floating Rate Obligations. The Funds may invest in inverse floating rate obligations. Inverse floating rate obligations are variable debt instruments that pay interest at rates that move in the opposite direction of prevailing interest rates. Because the interest rate paid to holders of such obligations is generally determined by subtracting a variable or floating rate from a predetermined amount, the interest rate paid to holders of such obligations will decrease as such variable or floating rate increases and increase as such variable or floating rate decreases. The inverse floating rate obligations in which each Fund may invest include derivative instruments such as residual interest bonds (RIBs) or tender option bonds (TOBs). Such instruments are typically created by a special purpose trust that holds long-term fixed rate bonds and sells two classes of beneficial interests: short-term floating rate interests, which are sold to third party investors, and inverse floating residual interests, which are purchased by each Fund. The short-term floating rate interests have first priority on the cash flow from the bond held by the special purpose trust and each Fund (as holder of the inverse floating residual interests) is paid the residual cash flow from the bond held by the special purpose trust.

When-Issued and Delayed Delivery Transactions. Each Fund may purchase and sell securities on a when-issued and delayed delivery basis, which means that each Fund buys or sells a security with payment and delivery taking place in the future. The payment obligation and the interest rate are fixed at the time each Fund enters into the

commitment. No income accrues on such securities until the date each Fund actually takes delivery of the securities.

Preferred Shares. Each Fund uses leverage in the form of Preferred Shares. Dividends on the Preferred Shares will typically be comparable to the yields on investment grade short-term municipal securities, although the assets attributable to the Preferred Shares will generally be invested in longer-term municipal securities, which typically have higher yields than short-term municipal securities. Assuming such a yield differential, this leveraged capital structure enables each Fund to pay a potentially higher yield on the Common Shares than similar investment companies that do not use leverage.

Each Fund will generally maintain an asset coverage of the value of each Fund's total assets, less all liabilities and indebtedness of each Fund not represented by the Preferred Shares, of 200% of the aggregate liquidation value of the Preferred Shares. The liquidation value of the Preferred Shares is their aggregate original purchase price, plus any accrued and unpaid dividends.

Portfolio Turnover. Each Fund generally will not engage in the trading of securities for the purpose of realizing short-term profits, but it will adjust its portfolio as it deems advisable in view of prevailing or anticipated market conditions to accomplish the Fund's investment objective. For example, each Fund may sell portfolio securities in anticipation of a movement in interest rates. Other than for tax purposes, frequency of portfolio turnover will not be a limiting factor if a Fund considers it advantageous to purchase or sell securities. Each Fund does not anticipate that its annual portfolio turnover rate will be in excess of 100%. A high rate of portfolio turnover involves correspondingly greater brokerage commission and transaction expenses than a lower rate, which expenses must be borne by the Funds and their shareholders. High portfolio turnover may also result in the realization of substantial net short-term capital gains, and any distributions resulting from such gains will be taxable at ordinary income rates for federal income tax purposes.

Zero Coupon / PIK Bonds. Each Fund may invest in securities not producing immediate cash income, including zero coupon securities or pay-in-kind (PIK) securities, when their effective yield over comparable instruments producing cash income makes these investments attractive. PIK securities are debt securities that pay interest through the issuance of additional securities. Zero coupon securities are debt securities that do not entitle the holder to any periodic payment of interest prior to maturity or a specified date when the securities begin paying current interest. They are issued and traded at a discount from their face amounts or par value, which discount varies depending on the time remaining until cash payments begin, prevailing interest rates, liquidity of the security and the perceived credit quality of the issuer. The securities do not entitle the holder to any periodic payments of interest prior to maturity, which prevents any reinvestment of interest payments at prevailing interest rates if prevailing interest rates rise. On the other hand, because there are no periodic interest payments to be reinvested prior to maturity, zero coupon securities eliminate the reinvestment risk and may lock in a favorable rate of return to maturity if interest rates drop. In addition, each Fund would be required to distribute the income on these instruments as it accrues, even though the Funds will not receive all of the income on a current basis or in cash. Thus, each Fund may have to sell other investments, including when it may not be advisable to do so, to make income distributions to the Common Shareholders.

As required by Rule 35d-1 under the 1940 Act, in addition to the investment strategies and policies discussed above, each Fund has a fundamental policy to invest, under normal circumstances, at least 80% of its total assets in investments the income from which is exempt from federal income tax.

More information on these and other investment strategies of the Funds is available in the SAI.

Principal Risks of an Investment in the Funds

A comparison of the principal risks associated with the Funds' investment strategies is included above under

How do the Funds' principal risks compare? The following table provides further information on the principal risks of an investment in the Funds.

Principal Risk

Municipal Securities Risk. Under normal market conditions, longer-term municipal securities generally provide a higher yield than shorter-term municipal securities. The Fund has no limitation as to the maturity of municipal securities in which it may invest. The Adviser may adjust the average maturity of the Fund's portfolio from time to time

Funds Subject to Risk

All Funds

depending on its assessment of the relative yields available on securities of different maturities and its expectations of future changes in interest rates. The yields of municipal securities may move differently and adversely compared to the yields of the overall debt securities markets. Certain kinds of municipal securities are subject to specific risks that could cause a decline in the value of those securities:

Lease Obligations. Certain lease obligations contain non-appropriation clauses that provide that the governmental issuer has no obligation to make future payments under the lease or

Principal Risk

contract unless money is appropriated for that purpose by the appropriate legislative body on an annual or other periodic basis. Consequently, continued lease payments on those lease obligations containing non-appropriation clauses are dependent on future legislative actions. If these legislative actions do not occur, the holders of the lease obligation may experience difficulty in exercising their rights, including disposition of the property.

Private Activity Bonds. The issuers of private activity bonds in which the Fund may invest may be negatively impacted by conditions affecting either the general credit of the user of the private activity project or the project itself. Conditions such as regulatory and environmental restrictions and economic downturns may lower the need for these facilities and the ability of users of the project to pay for the facilities. Private activity bonds may also pay interest subject to the alternative minimum tax.

In 2011, S&P lowered its long-term sovereign credit rating on the U.S. to AA+ from AAA with a negative outlook. Following S&P's downgrade of the long-term sovereign credit rating on the U.S., the major rating agencies have also placed many municipalities on review for potential downgrades, which could impact the market price, liquidity and volatility of the municipal securities held by the Fund in its portfolio. If the universe of municipal securities meeting the Fund's ratings and credit quality requirements shrinks, it may be more difficult for the Fund to meet its investment objectives and the Fund's investments may become more concentrated in fewer issues. Future downgrades by other rating agencies could have significant adverse effects on the economy generally and could result in significant adverse impacts on municipal issuers and the Fund.

Many state and municipal governments that issue securities are under significant economic and financial stress and may not be able to satisfy their obligations. In response to the national economic downturn, governmental cost burdens have been and may continue to be reallocated among federal, state and local governments. The ability of municipal issuers to make timely payments of interest and principal may be diminished during general economic downturns and as governmental cost burdens are reallocated among federal, state and local governments. Also, as a result of the downturn and related unemployment, declining income and loss of property values, many state and local governments have experienced significant reductions in revenues and consequently difficulties meeting ongoing expenses. As a result, certain of these state and local governments may have difficulty paying or default in the payment of principal or interest on their outstanding debt, may experience ratings downgrades of their debt. The taxing power of any governmental entity may be limited by provisions of state constitutions or laws and an entity's credit will depend on many factors, including the entity's tax base, the extent to which the entity relies on federal or state aid, and other factors which are beyond the entity's control. In addition, laws enacted in the future by Congress or state legislatures or referenda could extend the time for payment of principal and/or interest, or impose other constraints on enforcement of such obligations or on the ability of municipalities to levy taxes.

In addition, municipalities might seek protection under the bankruptcy laws, thereby affecting the repayment of their outstanding debt. Issuers of municipal securities might seek protection under the bankruptcy laws. In the event of bankruptcy of such an issuer, holders of municipal securities could experience delays in collecting principal and interest and such

Funds Subject to Risk

holders may not be able to collect all principal and interest to which they are entitled. Certain provisions of the U.S. Bankruptcy Code governing such bankruptcies are unclear. Further, the application of state law to municipal securities issuers could produce varying results among the states or among municipal securities issuers within a state. These uncertainties could have a significant impact on the prices of the municipal securities in which the Fund invests. The value of municipal securities generally may be affected by uncertainties in the municipal markets as a result of legislation or litigation, including legislation or litigation that changes the taxation of municipal securities or the rights of municipal securities holders in the event of a bankruptcy. To enforce its rights in the event of a default in the payment of interest or repayment of principal, or both, the Fund may take possession of and manage the assets securing the issuer's obligations on such securities, which may increase the Fund's operating expenses. Any income derived from the Fund's

Principal Risk

Funds Subject to Risk

ownership or operation of such assets may not be tax-exempt and could jeopardize the Fund's status as a regulated investment company under the Internal Revenue Code.

The U.S. economy may be in the process of deleveraging, with individuals, companies and municipalities reducing expenditures and paying down borrowings. In such event, the number of municipal borrowers and the amount of outstanding municipal securities may contract, potentially without corresponding reductions in investor demand for municipal securities. As a result, the Fund may have fewer investment alternatives, may invest in securities that it previously would have declined and may concentrate its investments in a smaller number of issuers.

Insurance Risk. Financial insurance guarantees that interest payments on a bond will be made on time and that principal will be repaid when the bond matures. Insured municipal obligations would generally be assigned a lower rating if the rating were based primarily on the credit quality of the issuer without regard to the insurance feature. If the claims-paying ability of the insurer were downgraded, the ratings on the municipal obligations it insures may also be downgraded. Insurance does not protect the Fund against losses caused by declines in a bond's value due to a change in market conditions.

Market Risk. Market risk is the possibility that the market values of securities owned by the Fund will decline. The net asset value of the Fund will change with changes in the value of its portfolio securities, and the value of the Fund's investments can be expected to fluctuate over time. The financial markets in general are subject to volatility and may at times experience extreme volatility and uncertainty, which may affect all investment securities, including debt securities and derivative instruments. Volatility may be greater during periods of general economic uncertainty. All Funds

Interest Rate Risk. Because the Fund invests primarily in fixed income municipal securities, the net asset value of the Fund can be expected to change as general levels of interest rates fluctuate. When interest rates decline, the value of a portfolio invested in fixed income securities generally can be expected to rise. Conversely, when interest rates rise, the value of a portfolio invested in fixed income securities generally can be expected to decline. The prices of longer term municipal securities generally are more volatile with respect to changes in interest rates than the prices of shorter term municipal securities. These risks may be greater in the current market environment because certain interest rates are near historically low levels. All Funds

Credit Risk. Credit risk refers to an issuer's ability to make timely payments of interest and principal when due. Municipal securities, like other debt obligations, are subject to the credit risk of nonpayment. The ability of issuers of municipal securities to make timely payments of interest and principal may be adversely affected by general economic downturns and as relative governmental cost burdens are allocated and reallocated among federal, state and local governmental units. Private activity bonds used to finance projects, such as industrial development and pollution control, may also be negatively impacted by the general credit of the user of the project. Nonpayment would result in a reduction of income to the Fund, and a potential decrease in the net asset value of the Fund. The Adviser continuously monitors the issuers of securities held in the Fund. All Funds

The Fund will rely on the Adviser's judgment, analysis and experience in evaluating the creditworthiness of an issuer. In its analysis, the Adviser may consider the credit ratings of NRSROs in evaluating securities, although the Adviser does not rely primarily on these ratings. Credit ratings of NRSROs evaluate only the safety of principal and interest payments, not the market risk. In addition, ratings are general and not absolute standards of quality, and the creditworthiness of an issuer may decline significantly before an NRSRO lowers the issuer's rating. A rating downgrade does not require the Fund to dispose of a security.

Medium-grade obligations (for example, bonds rated BBB by S&P) possess speculative characteristics so that changes in economic conditions or other circumstances are more likely to lead to a weakened capacity of the issuer to make principal and interest payments than in the case of higher-rated securities. Securities rated below investment grade are

Principal Risk

considered speculative by NRSROs with respect to the issuer's continuing ability to pay interest and principal.

Funds Subject to Risk

Income Risk. The income you receive from the Fund is based primarily on prevailing interest rates, which can vary widely over the short and long term. If interest rates decrease, your income from the Fund may decrease as well.

All Funds

Call Risk. If interest rates fall, it is possible that issuers of securities with high interest rates will prepay or call their securities before their maturity dates. In this event, the proceeds from the called securities would likely be reinvested by the Fund in securities bearing the new, lower interest rates, resulting in a possible decline in the Fund's income and distributions to shareholders.

All Funds

Market Segment/Sector Risk. The Fund generally considers investments in municipal securities issued by governments or political subdivisions not to be subject to industry concentration policies (because such issuers are not in any industry). The Fund may, however, invest in municipal securities issued by entities having similar characteristics. For example, the issuers may be located in the same geographic area or may pay their interest obligations from revenue of similar projects, such as hospitals, airports, utility systems and housing finance agencies. This may make the Fund's investments more susceptible to similar economic, political or regulatory occurrences, which could increase the volatility of the Fund's net asset value. The Acquiring Fund, VKL and VIM may invest more than 25% of their total assets in a segment of the municipal securities market with similar characteristics if the Adviser determines that the yields available from obligations in a particular segment justify the additional risks of a larger investment in that segment.

All Funds

PIA may invest 25% or more of its assets in any of the following types of Municipal Obligations, provided that the percentage of PIA's total assets in private activity bonds in any one category does not exceed 25% of PIA's total assets: health facility obligations, housing obligations, single family mortgage revenue bonds, industrial revenue obligations (including pollution control obligations), electric utility obligations, airport facility revenue obligations, water and sewer obligations, university and college revenue obligations, bridge authority and toll road obligations and resource recovery obligations.

Each Fund may not, however, invest more than 25% of its total assets in municipal securities, such as many private activity bonds or industrial development revenue bonds, issued for non-governmental entities that are in the same industry.

Under current market conditions, the Adviser expects to allocate VKL's investments in municipal securities primarily among the transportation, local and state general obligation, health care and utilities related sectors of the municipal securities market. The Adviser may from time to time adjust the proportion of VKL's assets allocated among these and other sectors of the municipal securities market. To the extent VKL's portfolio is allocated to a particular sector or sectors of the municipal securities market, negative market, economic, business, political, regulatory or other developments generally affecting issuers in those sectors of the municipal securities market will have a greater impact on the Fund than an investment company that is more widely diversified and that is not over-weighted in those

sectors.

The Fund has no policy limiting its investments in municipal securities whose issuers are located in the same state. If the Fund were to invest a significant portion of its total assets in issuers located in the same state, it would be more susceptible to adverse economic, business or regulatory conditions in that state.

Tax Risk. To qualify for the favorable U.S. federal income tax treatment generally accorded All Funds to regulated investment companies, among other things, the Fund must derive in each taxable year at least 90% of its gross income from certain prescribed sources. If for any taxable year the Fund does not qualify as a regulated investment company, all of its taxable income (including its net capital gain) would be subject to federal income tax at regular corporate rates without any deduction for distributions to shareholders, and all distributions from the Fund (including underlying distributions attributable to tax-exempt

Principal Risk

interest income) would be taxable to shareholders as ordinary dividends to the extent of the Fund's current and accumulated earnings and profits.

Funds Subject to Risk

Principal Risk

Funds Subject to Risk

of unanticipated market movements, which losses may potentially be unlimited. Although the Adviser may seek to use derivatives to further the Fund's investment objective, the Fund is not required to use derivatives and may choose not to do so and there is no assurance that the use of derivatives will achieve this result.

Counterparty Risk. The Fund will be subject to credit risk with respect to the counterparties to the derivative transactions entered into by the Fund. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the Fund may experience significant delays in obtaining any recovery under the derivative contract in bankruptcy or other reorganization proceeding. The Fund may obtain only a limited recovery or may obtain no recovery in such circumstances.

Futures Risk. A decision as to whether, when and how to use futures involves the exercise of skill and judgment and even a well-conceived futures transaction may be unsuccessful because of market behavior or unexpected events. In addition to the derivatives risks discussed above, the prices of futures can be highly volatile, using futures can lower total return, and the potential loss from futures can exceed the Fund's initial investment in such contracts.

Swaps Risk. Swap agreements are not entered into or traded on exchanges and there is no central clearing or guaranty function for swaps. Therefore, swaps are subject to credit risk or the risk of default or non-performance by the counterparty. Swaps could result in losses if interest rate or credit quality changes are not correctly anticipated by the Fund or if the reference index, security or investments do not perform as expected.

Tax Risk. The use of derivatives may generate taxable income. In addition, the Fund's use of derivatives may be limited by the requirements for taxation as a regulated investment company or the Fund's intention to pay dividends that are exempt from federal income taxes. The tax treatment of derivatives may be adversely affected by changes in legislation, regulations or other legal authority, subjecting the Fund's shareholders to increased federal income tax liabilities.

Inverse Floating Rate Obligations Risk. Like most other fixed-income securities, the value of inverse floating rate obligations will decrease as interest rates increase. They are more volatile, however, than most other fixed-income securities because the coupon rate on an inverse floating rate obligation typically changes at a multiple of the change in the relevant index rate. Thus, any rise in the index rate (as a consequence of an increase in interest rates) causes a correspondingly greater drop in the coupon rate of an inverse floating rate obligation while a drop in the index rate causes a correspondingly greater increase in the coupon of an inverse floating rate obligation. Some inverse floating rate obligations may also increase or decrease substantially because of changes in the rate of prepayments. Inverse floating rate obligations tend to underperform the market for fixed rate bonds in a rising interest rate environment, but tend to outperform the market for fixed rate bonds when interest rates decline or remain relatively stable. Inverse floating rate obligations have varying degrees of liquidity.

The Fund generally invests in inverse floating rate obligations that include embedded leverage, thus exposing the Fund to greater risks and increased costs. The market value of a leveraged inverse floating rate obligation generally will fluctuate in response to changes in market rates of interest to a greater extent than the value of an unleveraged investment. The extent of increases and decreases in the value of inverse floating rate obligations generally will be larger than changes in an equal principal amount of a fixed rate security having similar credit quality, redemption provisions and maturity, which may cause the Fund's net asset value to be more volatile than if it had not invested in inverse floating rate obligations.

In certain instances, the short-term floating rate interests created by a special purpose trust may not be able to be sold to third parties or, in the case of holders tendering (or putting) such interests for repayment of principal, may not be able to be remarketed to third parties. In such cases, the special purpose trust holding the long-term fixed rate bonds may be

Principal Risk

Funds Subject to Risk

collapsed. In the case of inverse floating rate obligations created by the Fund, the Fund would then be required to repay the principal amount of the tendered securities. During times of market volatility, illiquidity or uncertainty, the Fund could be required to sell other portfolio holdings at a disadvantageous time to raise cash to meet that obligation.

The use of short-term floating rate obligations may require the Fund to segregate or earmark cash or liquid assets to cover its obligations. Securities so segregated or earmarked will be unavailable for sale by the Fund (unless replaced by other securities qualifying for segregation requirements), which may limit the Fund's flexibility and may require that the Fund sell other portfolio investments at a time when it may be disadvantageous to sell such assets.

Risks of Investing in Lower-Grade Securities. Securities that are in the lower-grade categories generally offer higher yields than are offered by higher-grade securities of similar maturities, but they also generally involve greater risks, such as greater credit risk, market risk, volatility and liquidity risk. In addition, the amount of available information about the financial condition of certain lower-grade issuers may be less extensive than other issuers, making the Fund more dependent on the Adviser's credit analysis than a fund investing only in higher-grade securities. To minimize the risks involved in investing in lower-grade securities, the Funds do not purchase securities that are in default or rated in categories lower than B- by S&P or B3 by Moody's or unrated securities of comparable quality.

All Funds

Secondary market prices of lower-grade securities generally are less sensitive than higher-grade securities to changes in interest rates and are more sensitive to general adverse economic changes or specific developments with respect to the particular issuers. A significant increase in interest rates or a general economic downturn may significantly affect the ability of municipal issuers of lower-grade securities to pay interest and to repay principal, or to obtain additional financing, any of which could severely disrupt the market for lower-grade municipal securities and adversely affect the market value of such securities. Such events also could lead to a higher incidence of default by issuers of lower-grade securities. In addition, changes in credit risks, interest rates, the credit markets or periods of general economic uncertainty can be expected to result in increased volatility in the price of the lower-grade securities and the net asset value of the Fund. Adverse publicity and investor perceptions, whether or not based on rational analysis, may affect the value, volatility and liquidity of lower-grade securities.

In the event that an issuer of securities held by the Fund experiences difficulties in the timely payment of principal and interest and such issuer seeks to restructure the terms of its borrowings, the Fund may incur additional expenses and may determine to invest additional assets with respect to such issuer or the project or projects to which the Fund's securities relate. Further, the Fund may incur additional expenses to the extent that it is required to seek recovery upon a default in the payment of interest or the repayment of principal on its portfolio holdings and the Fund may be unable to obtain full recovery on such amounts.

Investments in debt obligations that are at risk of or in default present special tax issues for the Fund. Federal income tax rules are not entirely clear about issues such as when the

Fund may cease to accrue interest, original issue discount or market discount, when and to what extent deductions may be taken for bad debts or worthless securities, how payments received on obligations in default should be allocated between principal and interest and whether certain exchanges of debt obligations in a workout context are taxable. These and other issues will be addressed by the Fund, in the event it invests in or holds such securities, in order to seek to ensure that it distributes sufficient income to preserve its status as a regulated investment company.

Liquidity Risk. Liquidity relates to the ability of a fund to sell a security in a timely manner at a price which reflects the value of that security. The amount of available information about the financial condition of municipal securities issuers is generally less extensive than that for corporate issuers with publicly traded securities, and the market for municipal

All Funds

