

Invesco Value Municipal Income Trust
Form N-14 8C
April 05, 2012

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1933 Act File No. [_____]

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

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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Pre-Effective Amendment No. ____

Post-Effective Amendment No. ____

(Check appropriate box or boxes)

INVESCO VALUE MUNICIPAL INCOME 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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Invesco Advisers, Inc.
11 Greenway Plaza, Suite 2500
Houston, Texas 77046-1173

Matthew R. DiClemente, Esquire
Stradley Ronon Stevens & Young, LLP
2600 One Commerce Square
Philadelphia, Pennsylvania 19103

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
Common Shares of Beneficial Interest			\$411,127,403	\$47,115

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- (1) Estimated solely for purposes of calculating the registration fee. Based on average high and low reported price for Invesco Value Municipal Bond Trust Common Shares on April 2, 2012, average of high and low reported price for Invesco Value Municipal Securities Common Shares on April 2, 2012 and average of high and low reported price for Invesco Value Municipal Trust Common Shares on April 2, 2012, in accordance with Rule 457(f)(1) under the Securities Act of 1933.
-

**Invesco Value Municipal Income Trust
Invesco Value Municipal Bond Trust
Invesco Value Municipal Securities
Invesco Value Municipal Trust
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 Value Municipal Bond Trust (IMC), Invesco Value Municipal Securities (IMS), Invesco Value Municipal Trust (IMT, and together with IMC and IMS, the Target Funds), and Invesco Value Municipal Income Trust (the Acquiring Fund or IIM) that the Funds will hold a joint annual meeting of shareholders (the Meeting) on July 17, 2012, at [2:00] p.m., Eastern time, at 1555 Peachtree Street, N.E., Atlanta, Georgia 30309. 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 IMC to merge with and into the Acquiring Fund.
 - (ii) Approval of an Agreement and Plan of Merger that provides for IMS to merge with and into the Acquiring Fund.
 - (iii) Approval of an Agreement and Plan of Merger that provides for IMT to merge with and into the Acquiring Fund.
- 3) For the Acquiring Fund, approval of an amendment to the Fund s advisory agreement that increases the Fund s advisory fee.
- 4) For each Fund, the election of a class of 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 Acquiring Fund s, IMC s and IMT s 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.

Mr. Philip Taylor
President and Principal Executive
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 Value Municipal Income Trust
Invesco Value Municipal Bond Trust
Invesco Value Municipal Securities
Invesco Value Municipal Trust
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 Value Municipal Bond Trust (*IMC*), Invesco Value Municipal Securities (*IMS*), Invesco Value Municipal Trust (*IMT*, and together with *IMC* and *IMS*, the *Target Funds*), and Invesco Value Municipal Income Trust (the *Acquiring Fund* or *IIM*) 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 at 1555 Peachtree Street, N.E., Atlanta, Georgia 30309 on July 17, 2012, at [2:00] p.m., Eastern time. 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 *IMC* to merge with and into the *Acquiring Fund*.
 - (ii) Approval of an Agreement and Plan of Merger that provides for *IMS* to merge with and into the *Acquiring Fund*.
 - (iii) Approval of an Agreement and Plan of Merger that provides for *IMT* to merge with and into the *Acquiring Fund*.
 - 3) For the *Acquiring Fund*, approval of an amendment to the *Funds* advisory agreement that increases the *Funds* advisory fee.
 - 4) For each *Fund*, the election of a class of 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 Acquiring Fund, IMC and IMT, 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 each Fund are listed on the New York Stock Exchange (the Exchange). 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. In the event that a shareholder of a Fund present at the Meeting objects to the holding of a joint meeting and moves for an adjournment of the meeting of such Fund to a time immediately after the joint meeting so that such Fund's meeting may be held separately, the persons named as proxies will vote in favor of the adjournment.

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. These documents are on file with the U.S. Securities and Exchange Commission (the SEC). 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 herein by reference and is deemed to be part of this Proxy Statement. 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. Copies of all of these documents are 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 Exchange.

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 as 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 objectives, strategies, risks, trustees, advisory agreements, and 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 Redomestication 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 Redomestication, 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 objectives, strategies and risks of each Fund will not change as a result of the Redomestications.

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, the 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 each Redomestication.

After the Redomestications, each Fund will be a Delaware statutory trust whose capital structure is 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. The Acquiring Fund, IMC and IMT may not declare distributions on Common Shares unless all accrued dividends on such Fund's Preferred Shares have been paid, and unless asset coverage with respect to such Fund's Preferred Shares would be at least 200% after giving effect to the distributions.

The governing documents of a Fund before and after its Redomestication will be similar, but will contain certain material differences. Unlike the current governing documents, the new governing documents will not provide shareholders the ability to remove Trustees or to call special meetings of shareholders. The new governing documents will also contain a different shareholder voting standard with respect to a 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 permit termination of a Fund without shareholder approval, provided that at least 75% of the Trustees have approved such termination. The current governing documents require shareholder approval to terminate a Fund regardless of whether the Trustees have approved such termination. The new governing documents impose certain obligations on shareholders seeking to initiate a derivative action on behalf of a Fund that are not imposed under the current governing documents. A comparison of the current and proposed governing documents of the Funds is available in Exhibit B.

The applicable Delaware statute, as applied to the Funds, will have a similar effect as the currently applicable Massachusetts statute, although the Delaware statute generally has significantly greater detail compared to the Massachusetts statute with respect to shareholder rights, voting, indemnification, and other provisions. Delaware law also limits the liability of shareholders of statutory trusts more clearly than the applicable statutes do with respect to Massachusetts business trusts. A brief comparison of the laws governing Massachusetts business trusts and Delaware statutory trusts is available in Exhibit C.

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 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. Preferred Shares of IMC and IMT 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 a Target Fund and the Acquiring Fund may proceed even if the merger of one or both of the other Target Funds 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 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 Exchange 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 the same investment objective. Each Fund's investment objective is to provide current income which is exempt from federal income tax. Each of the investment objectives of the Acquiring Fund and the Target Funds is fundamental and may not be changed without shareholder approval of a majority of the Acquiring Fund's or a Target Fund's outstanding voting securities, as defined in the 1940 Act.

The principal investment strategies of the Acquiring Fund are substantially the same as the principal investment strategies of the Target Funds. The only difference is that each of the Acquiring Fund, IMC and IMT employs leverage by investing the proceeds of its issuance of Preferred Shares. IMS does not employ this type of leverage and has no outstanding Preferred Shares. The section below entitled "Additional Information About the Funds and the Mergers - 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 only difference in the risks of the Funds is that each of the Acquiring Fund, IMC and IMT employs leverage by issuing, and investing the proceeds of its issuance of, Preferred Shares. The use of leverage imposes additional risks on the Acquiring Fund, IMC and IMT that do not apply to IMS because IMS has no outstanding Preferred Shares. Use of leverage creates an opportunity for increased income and return for Common Shareholders, but also may magnify loss on an investment, creating special risks (including the likelihood of greater volatility of net asset value and market price of, and distributions on, the Common Shares). There can be no assurance that a leveraging strategy will be successful. The investment advisory fees paid by the Acquiring Fund, IMC and IMT are calculated on the basis of such Fund's managed assets, which means such Fund's net assets, plus assets attributable to outstanding Preferred Shares and the amount of any borrowings incurred for the purpose of leverage, so the fee will be higher when leverage is utilized. This may create a conflict of interest between the Adviser and Common Shareholders, because holders of Preferred Shares (Preferred Shareholders) do not bear the investment advisory fee; rather,

Common Shareholders bear the investment advisory fee attributable to the assets purchased with the proceeds. This means that Common Shareholders effectively bear the entire investment advisory fee.

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 objectives. Whether a Fund achieves its investment objectives 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 the Fund's performance may lag behind that of similar funds. The risks associated with an investment in the Fund can increase during times of significant market volatility. An investment in the 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 [Target Fund] 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. Note that pro forma total expenses of the Acquiring Fund are expected to be **higher** than the current total expenses of each Target Fund.

[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 [Target Fund] is the only Target Fund that participates in a Merger with the Acquiring Fund. The range of impact to Fund expenses is reflected in the following expense table, which provides the highest and lowest projected expense ratios for the Acquiring Fund.]

	Current*			Pro Forma* Target Fund + Acquiring Fund (assumes only Merger with [target fund] is completed)		Pro Forma* Target Funds + Acquiring Fund (assumes all of the Mergers are completed)
	IMC	IMS	IMT	Acquiring Fund (IIM)		
Shareholder Fees (Fees paid directly from your investment) Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price)	None (a)	None (a)	None (a)	None (a)	None (a)	None (a)

Dividend Reinvestment Plan	None (b)	None (b)	None (b)	None (b)	None (b)	None (b)
Annual Fund Operating Expenses						
(expenses that you pay each year as a percentage of the value of your investment)						
Management Fees (d) [Interest and Related Expenses] (g)	[]%	[]%	[]%	[]%	[]%(d)	[]%(d)
Other Expenses	[]%	[]%	[]%	[]%	[]%	[]%
Acquired Fund Fees and Expenses [Delete this line item if it is 0.00% across all columns]	[]%	[]%	[]%	[]%(f)	[]%(f)	[]%(f)
Total Annual Fund Operating Expenses	[]%(c)	[]%(c)	[]%(c)	[]%(c)	[]	[]
Fee Waiver and/or Expense Reimbursement [Delete this line item if fee waiver is 0.00% across all columns]	[0.00]%	[0.00]%	[0.00]%	[0.00]%	[0.00]%(e)	[0.00]%(e)
Total Annual Fund Operating Expenses after Fee Waiver and/or Expense Reimbursement [Delete this line item if fee waiver is 0.00% across all columns]	[]%	[]%	[]%	[]%	[]%	[]%

* [Expense ratios reflect annual fund operating expenses for the most recent fiscal year of the Funds[, restated, for the Acquiring Fund, to reflect the advisory fee increase described in Proposal 3]. Preferred Shares do not bear any transaction or operating expenses of the

Funds. *Pro forma* numbers are estimated as if the Merger(s) had been completed as of March 1, 2011 and do not include the estimated costs of the Merger. The estimated Merger costs that each Target Fund will bear are [\$100,000]. The Adviser estimates that shareholders will recoup these costs through reduced expenses in [10] months or less.] For more information on the costs of the Merger to be borne by the Funds, see Costs of the Mergers below.

- (a) 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.
- (b) 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.
- (c) Based on estimated amounts for the current fiscal year.
- (d) [Assumes that Proposal 3 is approved and the increased advisory fee is implemented.] [Although the management fee rates will not change in connection with the merger, the pro forma combined fund would have proportionately more leverage through Preferred Shares than is currently the case for [the][either][any] Target Fund.]
- (e) [Effective upon the closing of the Merger, the Adviser has contractually agreed, through at least June 30, 2014, 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 [__]% 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, such as litigation, reorganizations and mergers; 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 on June 30, 2014.]
- (f) Unless otherwise indicated, Acquired Fund Fees and Expenses are less than 0.01%.
- (g) [Interest and Related Expenses arises because accounting rules require the Funds to treat interest paid by trusts issuing certain inverse floating rate investments held by the Funds as having been paid (indirectly) by the Funds. Because the Funds also recognize corresponding amounts of interest income (also indirectly), each Fund's Common Share net asset value, net investment income and total return are not affected by this accounting treatment. The actual Interest and Related Expenses incurred in the future may be higher or lower.] [Dividends paid on each Fund's currently outstanding Preferred Shares are recognized as interest expense for financial reporting purposes.] [The dividend payment rate vary based on __.]

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 [Target Fund] and giving effect to all of the Mergers, and it assumes that Proposal 3 has been approved. 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
Acquiring Fund (IIM)	\$[]	\$[]	\$[]	\$[]

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IMC	\$[]	\$[]	\$[]	\$[]
IMS	\$[]	\$[]	\$[]	\$[]
IMT	\$[]	\$[]	\$[]	\$[]
Pro Forma (Target Fund + Acquiring Fund, assuming only Merger with [target fund] is completed)	\$[]	\$[]	\$[]	\$[]
Pro Forma (Target Funds + Acquiring Fund, assuming all of the Mergers are completed)	\$[]	\$[]	\$[]	\$[]

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 after tax performance records of the Funds compare?

The total after-tax return figures at NAV for each Fund's Common Shares as of [____], 2012 are shown below. The returns below are not indicative of a Fund's future performance. Additional performance information and a discussion of performance are included in each Fund's most recent report to shareholders.

	1 Year	3 Years	5 Years	10 Years
Acquiring Fund (IIM)	[]%	[]%	[]%	[]%
IMC	[]%	[]%	[]%	[]%
IMS	[]%	[]%	[]%	[]%
IMT	[]%	[]%	[]%	[]%
Barclays Capital Municipal Bond Index	[]%	[]%	[]%	[]%

As of [____], 2012, IMC had a monthly distribution yield of [____]% per share, IMS had a monthly distribution yield of [____]% per share, IMT had a monthly distribution yield of [____]% per share, and the Acquiring Fund had a monthly distribution yield of [____]% per share.

After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold their Common Shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

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

Each Fund is overseen by a Board composed of the same individuals and each Fund's affairs are managed by the same officers, 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, in the event that Proposal 3 is approved) 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 [____], 2012, the Adviser had \$[300.3] 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. Operating in [20] countries, Invesco had \$[418.8] billion in assets under management as of [____], 2012. Invesco is organized under the laws of Bermuda, and its common shares are listed and traded on the 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 will, if Proposal 3 is approved by shareholders, be higher than the advisory fee rate of any Target Fund. The following table compares the contractual advisory fee rates of the Funds.

	IMS		
IMC	(Common Shares only)	IMT	Acquiring Fund (IIM)
0.27%	0.27%	0.27%	0.55%*

* Assumes approval and implementation of the Amendment discussed in Proposal 3.

IMS calculates its advisory fee as a percentage of the Fund's net assets, which generally means the Fund's assets minus its liabilities. Each of IMC, IMT, and the Acquiring Fund 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 IMC, IMT, and the Acquiring Fund, as a percentage of NAV, will typically exceed the contractual rate set out above. Because managed assets exceed net assets for a Fund that has Preferred Shares, even if the Funds' contractual advisory fee rates were the same, the advisory fees paid by the Acquiring Fund as a percentage of NAV will exceed the advisory fees as a percentage of NAV paid by IMS. For more information, see the table above under How do the Funds' expenses compare?

Contingent on the completion of the Mergers, the Adviser has contractually agreed through [_____] to waive advisory fees and/or reimburse expenses to the extent necessary to limit total annual operating expenses of the Acquiring Fund to [__]%, subject to certain exceptions.

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 the Funds' Master Intergroup Sub-Advisory Contracts, 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 to a Fund. 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 which 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.

How do the distribution policies of the Funds compare?

Each Fund declares and pays monthly dividends from net investment income to Common Shareholders. The Acquiring Fund, IMC and IMT declare daily and pay 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 Shareholders and, for the Acquiring Fund, IMC and IMT, to 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 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 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 the 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 the 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.

Investment Strategies. Under normal circumstances, each Fund will invest at least 80% of its net assets in municipal obligations. The policy stated in the foregoing sentence is a fundamental policy of each Fund and may not be changed without approval of a majority of the Fund's outstanding voting securities, as defined in the 1940 Act. Under normal market conditions, the Adviser seeks to achieve each Fund's investment objective by investing at least 80% of the Fund's net 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.

Under normal market conditions, each 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. 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.

Each Fund may invest up to 20% of its net assets in taxable or tax-exempt fixed income securities rated at least investment grade by an NRSRO or, if not rated, determined by the Adviser to be of comparable quality, including obligations of the U.S. government, its respective agencies or instrumentalities, and other fixed income obligations, and, during periods in which the Adviser believes that changes in economic, financial or political conditions make it advisable to do so, to an unlimited extent in such investments for temporary defensive purposes.

The foregoing percentage and rating limitations apply at the time of acquisition of a security based on the last previous determination of each 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 the Fund's total assets will not require elimination of any security from the Fund's portfolio.

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 the 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 a 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 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.

Each Fund 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 longer-term obligations are more susceptible to market fluctuations resulting from changes in interest rates than shorter-term obligations. The average weighted maturity of each Fund's portfolio, as well as the emphasis on longer-term obligations, may vary depending upon the market conditions.

The Adviser employs a bottom-up, research-driven approach to identify securities that have attractive risk/reward characteristics for the sectors in which the Fund invests. The Adviser also integrates macroeconomic analysis and forecasting into its evaluation and ranking of various sectors and individual securities. Finally, the Acquiring Fund, IMC and IMT employ leverage in an effort to enhance their 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 exchange into a security with better relative value.

Municipal Obligations. Municipal obligations are securities 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 the 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

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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 each Fund may invest. The ratings of S&P and Moody's 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 in which each Fund may invest, 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 a 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, including 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). A 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. Each Fund 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 a Fund. The short-term floating rate interests have first priority on the cash flow from the bond held by the special purpose trust and a 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 a 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 a Fund enters into the commitment. No income accrues on such securities until the date a Fund actually takes delivery of the securities.

Preferred Shares. The Acquiring Fund, IMC and IMT use leverage in the form of Preferred Shares. IMS, however, has no such policy. 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 a Fund to pay a potentially higher yield on the Common Shares than similar investment companies that do not use leverage.

The Acquiring Fund, IMC and IMT will generally maintain an asset coverage of the value of the respective Fund's total assets, less all liabilities and indebtedness of the 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 may sell securities without regard to the length of time they have been held to take advantage of new investment opportunities, yield differentials, or for other reasons. Each Fund's portfolio turnover rate may vary from year to year. A high portfolio turnover rate (100% or more) would increase a Fund's transaction costs (including brokerage commissions and dealer costs), which would adversely impact the Fund's performance. Higher portfolio turnover may result in the realization of more short-term capital gains than if a Fund had lower portfolio turnover. Additionally, in a declining market, portfolio turnover may create realized capital losses. The turnover rate will not be a limiting factor, however, if the Adviser considers portfolio changes appropriate.

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, a 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). In taking a defensive position, a 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 Fund will not receive all of the income on a current basis or in cash. Thus, the 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.

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 Adviser may adjust the average maturity of the Fund s portfolio from time to time 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:

Funds Subject to Risk

All Funds

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 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

Principal Risk

Funds Subject to Risk

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 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 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

All Funds

Principal Risk

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.

Funds Subject to Risk

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

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

All Funds

interest rates decrease, your income from the Fund may decrease as well.

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 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 Fund may invest more than 25% of its total assets in a segment

All Funds

Principal Risk

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. The 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.

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

The value of the Fund's investments and its net asset value may be adversely affected by changes in tax rates and policies. Because interest income from municipal securities is normally not subject to regular federal income taxation, the attractiveness of municipal securities in relation to other investment alternatives is affected by changes in federal income tax rates or changes in the tax-exempt status of interest income from municipal securities. Any proposed or actual changes in such rates or exempt status, therefore, can significantly affect the demand for and supply, liquidity and marketability of municipal securities. This could, in turn, affect the Fund's net asset value and ability to acquire and dispose of municipal securities at desirable yield and price levels. Additionally, the Funds may not be a suitable investments for individual retirement accounts, for other tax-exempt or tax-deferred accounts or for investors who are not sensitive to the federal income tax consequences of their investments.

The Fund may invest all or a substantial portion of its total assets in municipal securities subject to the federal alternative minimum tax. Accordingly, an investment in the Fund could cause shareholders to be subject to (or result in an increased liability under) the federal alternative minimum tax. As a result, the Fund may not be a suitable investment for investors who are already subject to the federal alternative minimum tax or who could become subject to the federal alternative minimum tax as a result of an investment in the Fund.

Subsequent to the Fund's acquisition of a municipal security, the security may be determined to pay, or to have paid, taxable income. As a result, the treatment of

Funds Subject to Risk

All Funds

dividends previously paid or to be paid by the Fund as exempt-interest dividends could be adversely affected, subjecting the Fund's shareholders to increased federal income tax liabilities.

For federal income tax purposes, distributions of ordinary taxable income (including any net short-term capital gain) will be taxable to shareholders as ordinary income (and not eligible for favorable taxation as qualified dividend income), and capital gain dividends will be taxed at long-term capital gain rates. In certain circumstances, the Fund will make payments to holders of Preferred Shares, if applicable, to offset the tax effects of a taxable distribution.

Generally, to the extent a Fund's distributions are derived from interest on municipal securities of a particular state (and, in some cases qualifying obligations of U.S. territories and possessions), its distributions are exempt from the personal income tax of that state. In some cases, the Fund's shares may (to the extent applicable) also be exempt from personal property taxes of such state. However, some states require that the Fund meet certain

Principal Risk

thresholds with respect to the portion of its portfolio consisting of municipal securities of such state in order for such exemption to apply.

Funds Subject to Risk

Risks of Using Derivative Instruments. A derivative instrument often has risks similar to its underlying instrument and may have additional risks, including imperfect correlation between the value of the derivative and the underlying instrument or instrument being hedged, risks of default by the other party to certain transactions, magnification of losses incurred due to changes in the market value of the securities, instruments, indices or interest rates to which they relate, and risks that the derivatives may not be liquid. The use of derivatives involves risks that are different from, and potentially greater than, the risks associated with other portfolio investments. Derivatives may involve the use of highly specialized instruments that require investment techniques and risk analyses different from those associated with other portfolio investments. Certain derivative transactions may give rise to a form of leverage. Leverage associated with derivative transactions may cause the Fund to liquidate portfolio positions when it may not be advantageous to do so to satisfy its obligations or to meet earmarking or segregation requirements, pursuant to applicable SEC rules and regulations, or may cause the Fund to be more volatile than if the Fund had not been leveraged. The Fund could suffer losses related to its derivative positions as a result 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.

All Funds

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.

Principal Risk

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 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 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.

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

Funds Subject to Risk

All Funds

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

Principal Risk

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 securities is generally considered to be less liquid than the market for corporate debt obligations. Certain municipal securities in which the Fund may invest, such as special obligation bonds, lease obligations, participation certificates and variable rate instruments, may be particularly less liquid. To the extent the Fund owns or may acquire illiquid or restricted securities, these securities may involve special registration requirements, liabilities and costs, and liquidity and valuation difficulties.

The effects of adverse publicity and investor perceptions may be more pronounced for securities for which no established retail market exists as compared with the effects on securities for which such a market does exist. An economic downturn or an increase in interest rates could severely disrupt the market for such securities and adversely affect the value of outstanding securities or the ability of the issuers to repay principal and interest. Further, the Fund may have more difficulty selling such securities in a timely manner and at their stated value than would be the case for securities for which an established retail market does exist.

The markets for lower-grade securities may be less liquid than the markets for higher-grade securities. To the extent that there is no established retail market for some of the lower-grade securities in which the Fund may invest, trading in such securities may be relatively inactive. Prices of lower-grade securities may decline rapidly in the event a significant number of holders decide to sell. Changes in expectations regarding an individual issuer of lower-grade securities generally could reduce market liquidity for such securities and make their sale by the Fund at their current valuation more difficult.

Funds Subject to Risk

All Funds

From time to time, the Fund's investments may include securities as to which the Fund, by itself or together with other funds or accounts managed by the Adviser, holds a major portion or all of an issue of municipal securities. Because there may be relatively few potential purchasers for such investments and, in some cases, there may be contractual restrictions on resales, the Fund may find it more difficult to sell such securities at a time when the Adviser believes it is advisable to do so.

Preferred Shares Risk. The Fund's use of leverage through Preferred Shares may result in higher volatility of the net asset value of the Common Shares, and fluctuations in the dividend rates on the Preferred Shares (which are expected to reflect yields on short-term municipal securities) may affect the yield to the Common Shareholders. So long as the Fund is able to realize a higher net return on its investment portfolio than the then current dividend rate of the Preferred Shares, the effect of the leverage provided by the Preferred Shares will be to cause the Common Shareholders to realize a higher current rate of return than if the Fund were not so leveraged. On the other hand, to the extent that the then current dividend rate on the Preferred Shares approaches the net return on the Fund's investment portfolio, the benefit of leverage to the Common Shareholders will be reduced, and if the then current dividend rate on the Preferred Shares were to exceed the net return

Acquiring Fund, IMC & IMT

Principal Risk

on the Fund's portfolio, the Fund's leveraged capital structure would result in a lower rate of return to the Common Shareholders than if the Fund were not so structured.

Similarly, because any decline in the net asset value of the Fund's investments will be borne entirely by the Common Shareholders, the effect of leverage in a declining market would result in a greater decrease in net asset value to the Common Shareholders than if the Fund were not so leveraged. Any such decrease would likely be reflected in a decline in the market price for Common Shares. If the Fund's current investment income were not sufficient to meet dividend requirements on the Preferred Shares, the Fund might have to liquidate certain of its investments in order to meet required dividend payments, thereby reducing the net asset value attributable to the Fund's Common Shares.

The amount of Preferred Shares outstanding from time to time may vary, depending on the Adviser's analysis of conditions in the municipal securities market and interest rate movements. Management of the amount of outstanding Preferred Shares places greater reliance on the ability of the Adviser to predict trends in interest rates than if the Fund did not use leverage. In the event the Adviser later determines that all or a portion of such Preferred Shares should be reissued so as to increase the amount of leverage, no assurance can be given that the Fund will subsequently be able to reissue Preferred Shares on terms and/or with dividend rates that are beneficial to the Common Shareholders. Further, redemption and reissuance of the Preferred Shares, and any related trading of the Fund's portfolio securities, results in increased transaction costs to the Fund and its Common Shareholders. Because the Common Shareholders bear these expenses, changes to the Fund's outstanding leverage and any losses resulting from related portfolio trading will have a proportionately larger impact on the Common Shares net asset value and market price.

In addition, the Fund is not permitted to declare any cash dividend or other distribution on its Common Shares unless, at the time of such declaration, the Fund has an asset coverage of at least 200% (determined after deducting the amount of such dividend or distribution). This prohibition on the payment of dividends or other distributions might impair the ability of the Fund to maintain its qualification as a regulated investment company for federal income tax purposes. The Fund intends, however, to the extent possible, to purchase or redeem Preferred Shares from time to time to maintain an asset coverage of the Preferred Shares of at least 200%.

If a determination were made by the IRS to treat the Preferred Shares as debt rather than equity for U.S. federal income tax purposes, the Common Shareholders might be subject to increased federal income tax liabilities.

Unrated Securities Risk. Many lower-grade securities are not listed for trading on any national securities exchange, and many issuers of lower-grade securities choose not to have a rating assigned to their obligations by any NRSRO. As a

Funds Subject to Risk

All Funds

result, the Fund's portfolio may consist of a higher portion of unlisted or unrated securities as compared with an investment company that invests solely in higher-grade, listed securities. Unrated securities are usually not as attractive to as many buyers as are rated securities, a factor which may make unrated securities less marketable. These factors may limit the ability of the Fund to sell such securities at their fair value. The Fund may be more reliant on the Adviser's judgment and analysis in evaluating the creditworthiness of an issuer of unrated securities.

When-Issued and Delayed Delivery Risks. When-issued and delayed delivery transactions are subject to market risk as the value or yield of a security at delivery may be more or less than the purchase price or the yield generally available on securities when delivery occurs. In addition, the Fund is subject to counterparty risk because it relies on the buyer or seller, as the case may be, to consummate the transaction, and failure by the other party to complete the transaction may result in the Fund missing the opportunity of obtaining a price or yield considered to be advantageous.

All Funds

Zero Coupon / PIK Bond Risk. Prices on non-cash-paying instruments may be more sensitive to changes in the issuer's financial condition, fluctuations in interest rates and market demand/supply imbalances than cash-paying securities with similar credit ratings,

All Funds

Principal Risk

and thus may be more speculative than are securities that pay interest periodically in cash. These securities may subject the Fund to greater market risk than a fund that does not own these types of securities. Special tax considerations are associated with investing in non-cash-paying instruments, such as zero coupon or PIK securities. The Adviser will weigh these concerns against the expected total returns from such instruments.

Additional information on these and other risks is available in the SAI.

Portfolio Managers

Mr. Byron joined Invesco in 2010. Mr. Byron was associated with the Funds' previous investment adviser or its investment advisory affiliates in an investment capacity from 1981 to 2010 and began managing the Funds in 2009. Mr. Byron earned a B.S. in finance from Marquette University and an M.B.A. in finance from DePaul University.

Mr. Stryker, Chartered Financial Analyst, joined Invesco in 2010. Mr. Stryker was associated with the Funds' previous investment adviser or its investment advisory affiliates in an investment capacity from 1994 to 2010 and began managing the Funds in 2009. Mr. Stryker earned a B.S. in finance from the University of Illinois, Chicago.

Mr. Wimmel joined Invesco in 2010. Mr. Wimmel was associated with the Funds' previous investment adviser or its investment advisory affiliates in an investment capacity from 1996 to 2010 and began managing the Funds in 2009. Mr. Wimmel earned a B.A. in anthropology from the University of Cincinnati and an M.A. in economics from the University of Illinois, Chicago.

The SAI provides additional information about the portfolio managers' compensation, other accounts managed by the portfolio managers, and the portfolio managers' ownership of securities in each Fund.

Trading of Common Shares

Each Fund's Common Shares trade on the Exchange. Generally, an investor purchasing a Fund's Common Shares enters into a purchase transaction on the Exchange through a broker-dealer and, thus, indirectly purchases the Common Shares from a selling Fund shareholder. A shareholder who sells a Fund's Common Shares generally sells them on the Exchange through a broker-dealer, and indirectly to another investor. Unlike a mutual fund (also called an open-end fund), holders of Common Shares of a Fund generally do not purchase and sell such Common Shares from and to the Fund, either directly or through an intermediary such as a broker-dealer. No brokerage charges will be imposed on any Fund's shareholders in connection with the Mergers.

Capital Structures of the Funds

Each Fund is currently organized as a Massachusetts business trust. The Acquiring Fund was organized on March 12, 1992, IMC was organized on February 26, 1990, IMS was organized on October 14, 1993, and IMT was organized on October 2, 1991. As discussed under Proposal 1, before the closing of the Mergers, the Funds will be reorganized as Delaware statutory trusts, which will all have identical governing documents and capital structures, except that IMS has no outstanding Preferred Shares. (Proposal 1 discusses the material differences between each Fund's current Massachusetts business trust structure and its proposed Delaware statutory trust structure.) The Funds' governing documents will therefore be substantially identical immediately prior to the Mergers with the exception of any provisions governing outstanding Preferred Shares, which will be substantially identical among the Acquiring Fund, IMC and IMT but will not apply to IMS. Each such Delaware statutory trust will have the same structure, except that IMS has no outstanding Preferred Shares while the Acquiring Fund, IMC and IMT have outstanding Preferred Shares. With respect to IMC and IMT, Common Shareholders will not be affected by a Merger except that after a Merger, such Fund's shareholders will hold shares of a single, larger fund. Common Shareholders of IMS will after the Merger own shares of a single, larger fund with a leveraged capital structure, which grants Preferred Shareholders certain rights, including the right to elect at least two Trustees and additional rights in the event that the Acquiring Fund fails to make payments to the Preferred Shareholders.

Funds Subject to Risk

Description of Securities to be Issued

Before any Merger can be completed, the Funds must have completed a redomestication to a Delaware statutory trust, as discussed in Proposal 1. Accordingly, the following discussion reflects that each Fund would be a Delaware statutory trust as of the time of its Merger. A discussion of the changes a Fund would undergo as part of a Redomestication is included under Proposal 1.

Each Common Share represents an equal proportionate interest with each other Common Share of the Fund, with each such share entitled to equal dividend, liquidation, redemption and voting rights. The Acquiring Fund, IMC and IMT also have outstanding Preferred Shares that vote separately from Common Shares in some circumstances. Each Fund's Common Shares have no preemptive, conversion or exchange rights, nor any right to cumulative voting.

As of the closing of a Merger, the Acquiring Fund will be authorized by its Amended and Restated Agreement and Declaration of Trust to issue an unlimited number of Acquiring Fund Common Shares, with no par value, and an unlimited number of Acquiring Fund Preferred Shares, with no par value.

Dividends and Distributions from the Acquiring Fund, IMC and IMT. The dividend and distribution policies of IMC and IMT are identical to those of the Acquiring Fund. The Acquiring Fund intends to make regular monthly distributions of all or a portion of its net investment income after payment of dividends on the Acquiring Fund's Preferred Shares outstanding to holders of the Acquiring Fund's Common Shares. The Acquiring Fund's net investment income consists of all interest income accrued on portfolio assets less all expenses of the Acquiring Fund. The Acquiring Fund is required to allocate net capital gains and other taxable income, if any, received by the Acquiring Fund among its shareholders on a pro rata basis in the year for which such capital gains and other income is realized. In certain circumstances, the Acquiring Fund will make additional payments to Preferred Shareholders to offset the tax effects of such taxable distributions.

While there are any Preferred Shares of the Acquiring Fund outstanding, the Acquiring Fund may not declare any cash dividend or other distribution on its Common Shares, unless at the time of such declaration, (i) all accrued Preferred Shares dividends have been paid, (ii) to the extent necessary, the Fund has redeemed all of the Preferred Shares subject to mandatory redemption under the terms of the Preferred Shares, and (iii) the value of the Acquiring Fund's total assets (determined after deducting the amount of such dividend or other distribution), less all liabilities and indebtedness of the Fund, is at least 200% (as required by the 1940 Act) of the liquidation preference of the outstanding Preferred Shares (expected to equal the aggregate original purchase price of the outstanding Preferred Shares plus any accrued and unpaid dividends thereon, whether or not earned or declared on a cumulative basis). In addition to the requirements of the 1940 Act, the Acquiring Fund may be required to comply with other asset coverage requirements as a condition of the Acquiring Fund obtaining a rating of its Preferred Shares from an NRSRO. These requirements may include an asset coverage test more stringent than that under the 1940 Act. This limitation on the Acquiring Fund's ability to make distributions on its Common Shares could in certain circumstances impair the ability of the Acquiring Fund to maintain its qualification for taxation as a regulated investment company under the Code. The Acquiring Fund intends, however, to the extent possible, to purchase or redeem Preferred Shares from time to time to maintain compliance with such asset coverage requirements and may pay special dividends to the holders of the Preferred Shares in certain circumstances in connection with any such impairment of the Acquiring Fund's status as a regulated investment company under the Code.

The tax treatment and characterization of the Acquiring Fund's distributions may vary significantly from time to time because of the varied nature of its investments. The Acquiring Fund will indicate the proportion of its capital gains distributions that constitute long-term and short-term gains annually. The ultimate tax characterization of the Acquiring Fund's distributions made in a calendar or fiscal year cannot finally be determined until after the end of that fiscal year. As a result, there is a possibility that the Acquiring Fund may make total distributions during a calendar or fiscal year in an amount that exceeds the Acquiring Fund's net investment income and net capital gains for the relevant fiscal year and its previously undistributed earnings and profits from prior years. In such situations, the amount by which the Acquiring Fund's total distributions exceed its net investment income and net capital gains generally will be treated as a tax-free return of capital reducing the amount of a shareholder's tax basis in such shareholder's shares, with any amounts exceeding such basis treated as gain from the sale of shares.

Various factors will affect the level of the Acquiring Fund's net investment income, such as the rate at which dividends are payable on outstanding Preferred Shares, the Acquiring Fund's asset mix, its level of retained earnings, the amount of leverage utilized by it and the effects thereof and the movement of interest rates for

municipal bonds. These factors, among others, may result in the Acquiring Fund's level of net investment income being different from the level of net investment income for IMC and IMT if the Mergers were not completed. To permit the Acquiring Fund to maintain more stable monthly distributions, it may from time to time distribute less than the entire amount earned in a particular period. The income would be available to supplement future distributions. As a result, the distributions paid by the Acquiring Fund for any particular month may be more or less than the amount actually earned by the Fund during that month. Undistributed earnings will add to the Acquiring Fund's net asset value and, correspondingly, distributions from undistributed earnings and from capital, if any, will deduct from the Fund's net asset value. Although it does not now intend to do so, the Board may change the Acquiring Fund's dividend policy and the amount or timing of the distributions based on a number of factors, including the amount of the Fund's undistributed net investment income and historical and projected investment income and the amount of the expenses and dividend rates on the outstanding Preferred Shares.

Holders of the Acquiring Fund's Common Shares will automatically have all dividends and distributions reinvested in Common Shares issued by the Fund or Common Shares of the Fund purchased in the open market in accordance with the Fund's Automatic Dividend Reinvestment Plan, unless an election is made to receive cash.

For information concerning the manner in which dividends and distributions to holders of a Fund's common shares may be reinvested automatically in such Fund's Common Shares, see "Dividend Reinvestment Plan" below.

IMC and IMT Common Shareholders who own certificated shares will not receive their Acquiring Fund Common Shares or any dividend payments from the Acquiring Fund until their certificates are tendered. IMC and IMT Common Shareholders will, shortly after the closing of their Fund's Merger, receive instructions on how to tender any outstanding share certificates.

Dividends and Distributions from IMS. IMS declares and pays dividends of net investment income, if any, monthly, and capital gains distributions, if any, at least annually. IMS may also declare and pay capital gains distributions more than once per year as permitted by law. IMS shareholders who own certificated shares will not receive dividend payments from the Acquiring Fund until their certificates are tendered. IMS Common Shareholders will, shortly after the closing of their Fund's Merger, receive instructions on how to tender any outstanding share certificates.

Dividend Reinvestment Plan. Each Fund offers a substantially identical dividend reinvestment plan for Common Shareholders. The Funds' dividend reinvestment plans are fully described in the Funds' shareholder reports. Any final distribution preceding a Merger made by a Target Fund or the Acquiring Fund will be made in cash, notwithstanding any shareholder's enrollment in the Fund's dividend reinvestment plan. Each Fund expects to amend its dividend reinvestment plan to provide for distributions to be made in cash in the event of transactions such as a Merger.

Provisions for Delaying or Preventing Changes in Control. Each Fund's governing documents contain provisions designed to prevent or delay changes in control of that Fund. Each Fund's Board of Trustees may cause the Fund to merge or consolidate with or into other entities; cause the Fund to sell, convey and transfer all or substantially all of the assets of the Fund; cause the Fund to convert to a different type of entity; or cause the Fund to convert from a closed-end fund to an open-end fund, each only so long as such action has previously received the approval of either (i) the Board, followed by the affirmative vote of the holders of not less than 75% of the outstanding shares entitled to vote; or (ii) the affirmative vote of at least two thirds (66 2/3%) of the Board and an affirmative Majority Shareholder Vote (which generally means the vote of a majority of the outstanding voting securities as defined in the 1940 Act of the Fund, with each class and series of shares voting together as a single class, except to the extent otherwise required by the 1940 Act). Under each Fund's governing documents that will be applicable as of the time of the Merger, shareholders will have no right to call special meetings of shareholders or to remove Trustees. In addition, each Fund's Board is divided into three classes, each of which stands for election only once in three years. As a result of this system, only those Trustees in any one class may be changed in any one year, and it would require two years or more to change a majority of the Trustees.

Pending Litigation

On January 17, 2011, a Consolidated Amended Shareholder Derivative Complaint entitled *Curbow Family, LLC, et al. v. Morgan Stanley Investment Advisors, Inc.*, was filed on behalf of the Acquiring Fund and Invesco Municipal Premium Income Trust (PIA) (collectively, the Trusts) against Morgan Stanley Investment Advisors, Inc., Morgan Stanley and certain current and former executive officers of the Trusts (collectively, the Defendants) alleging that they breached their fiduciary duties to common shareholders by causing the Trusts to redeem Auction Rate Preferred Securities (ARPS) at their liquidation value. Specifically, the shareholders claim that the board and officers had no obligation to provide liquidity to the ARPS shareholders, the redemptions were improperly motivated to benefit the prior adviser by preserving business relationships with the ARPS holders, *i.e.*, institutional investors, and the market value and fair value of the ARPS were less than par at the time they were redeemed. The Complaint alleges that the redemption of the ARPS occurred at the expense of the Trusts and their common shareholders. This Complaint amends and consolidates two separate complaints that were filed by Curbow Family LLC and Elsie Mae Melms Revocable Living Trust on July 22, 2010 and August 3, 2010, respectively. Each of the Trusts initially received a demand letter from the plaintiffs on April 8, 2010. Plaintiffs seek judgment that: 1) orders Defendants to refrain from redeeming any ARPS at their liquidation value using Trusts assets; 2) awards monetary damages against all Defendants, individually, jointly or severally, in favor of the Trusts, for all losses and damages allegedly suffered as a result of the redemptions of ARPS at their liquidation value; 3) grants appropriate equitable relief to remedy the Defendants breaches of fiduciary duties; and 4) awards to plaintiffs the costs and disbursements of the action. The Board of each of the Trusts formed a Special Litigation Committee (SLC) to investigate these claims and to make a recommendation to the Board regarding whether pursuit of these claims is in the best interests of the Trusts. After reviewing the findings of the SLC, the Board announced on July 12, 2011, that it had adopted the SLC s recommendation to seek dismissal of the action. The Trusts filed a motion to dismiss on October 4, 2011, which remains pending. Plaintiffs filed a motion on November 28, 2011 asking the court to hold the motion to dismiss in abeyance while plaintiffs conduct limited discovery. The plaintiffs request for discovery has been briefed and the court s decision whether plaintiffs are entitled to discovery is pending. This matter is pending.

Management of the Adviser and each of the Funds believe that the outcome of the proceedings described above will have no material adverse effect on the Funds or on the ability of the Adviser to provide ongoing services to the Funds.

Share Price Data

The New York Stock Exchange is the principal trading market for each Fund s Common Shares. The following tables set forth the high and low sales prices and maximum premium/discount for each Fund s Common Shares for the periods indicated. [Common Shares of each Fund have historically traded at both a premium and discount to net asset value.]

Acquiring Fund (IIM)

Quarterly Period Ending	Price		Net Asset Value		Premium/Discount	
	High	Low	High	Low	High	Low
	\$[_____]	\$[_____]	\$[_____]	\$[_____]	[_____]%	[_____]%

IMC

Quarterly Period Ending	Price		Net Asset Value		Premium/Discount	
	High	Low	High	Low	High	Low
	\$[_____]	\$[_____]	\$[_____]	\$[_____]	[_____]%	[_____]%

25

IMS

Quarterly Period Ending	Price		Net Asset Value		Premium/Discount
	High	Low	High	Low	