



PIONEER ADVISORY: Proposed Reorganization of Pioneer Municipal and Equity Income Trust into Pioneer Tax Free Income Fund

On May 23, 2008, Pioneer announced the proposed merger of Pioneer Municipal and Equity Income Trust (NYSE: PBF), a closed-end fund, into Pioneer Tax Free Income Fund, an open-end fund, subject to the approval of PBF's shareholders. A special PBF shareholder meeting is scheduled to be held on September 11, 2008.

The reorganization of PBF into Pioneer Tax Free Income Fund will enable your clients to share in certain potential benefits, including: **1.** the opportunity to invest in an established open-end fund that, like PBF, pursues a tax-oriented investment approach and also offers lower expenses; and **2.** elimination of the discount to net asset value that PBF shares have traded historically; and **3.** the ability for your clients to redeem their shares at their net asset value on a daily basis.

Why We've Proposed this Merger

After considering various options, PBF's Board of Trustees determined that PBF be reorganized into Pioneer Tax Free Income Fund. The Board of Trustees of each fund believes that the merger is in the best interests of each fund's shareholders for several reasons, including the following:

- A merger into Pioneer Tax Free Income Fund would allow investors to redeem their shares at net asset value or maintain an investment valued at the then current net asset value per share.
- Each of PBF and Pioneer Tax Free Income Fund pursue a tax-oriented investment approach by investing in municipal securities that provide income that is exempt from regular federal income tax. Although PBF invests a portion of its assets in equity securities that pay tax-qualified dividends, over half of its assets are comprised of municipal securities.
- The composition and investment profile of each fund's portfolio of municipal securities are similar in many respects, including overall credit quality, maturity distribution, sector weights and underlying earnings yield.
- David Eurkus is the portfolio manager for both Pioneer Tax Free Income Fund and PBF's municipal component.
- Pioneer Tax Free Income Fund has a stable asset base and would provide PBF's shareholders with a lower net expense ratio: 0.89% for Class A shares (as of 12/31/07) versus PBF's ratio of 1.26% (as of 11/30/07).

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How the Merger Will Work

If approved, all of the assets and liabilities of PBF will become the assets and liabilities of Pioneer Tax Free Income Fund, and PBF will cease to exist. The outstanding common shares of PBF will be converted into a number of whole or fractional Class A shares of Pioneer Tax Free Income Fund with an aggregate net asset value equal to the aggregate net asset value of the common shares of PBF immediately prior to the merger. PBF's net asset value can be expected to vary from the market value attributable to the fund's common shares. The net asset value of both Pioneer funds will be computed as of the close of regular trading on the New York Stock Exchange ("NYSE") on the date of the merger.

No sales load, contingent deferred sales charge, commission, redemption fee or other transaction fee will be charged as a result of the merger. After the merger, the holders of common shares of PBF will be able to exchange their Class A shares of Pioneer Tax Free Income Fund into Class A shares of other Pioneer Funds without a sales charge. Class A shares are subject to a Rule 12b-1 fee of 0.25%. Class A shares currently do not charge a redemption fee.

Tax Consequences

The transaction is expected to be treated as a tax-free reorganization and therefore your clients will not recognize a gain or loss for federal income tax purposes on the conversion of PBF common shares into Class A shares of Pioneer Tax Free Income Fund. However, in accordance with the policy that each Pioneer fund distribute its taxable income, net tax-exempt income and net capital gains for each taxable year, PBF will declare and pay a distribution of such income and gains to its shareholders shortly before the merger and Pioneer Tax Free Income Fund may make a comparable distribution to its shareholders.

Distributions that Pioneer Tax Free Income Fund declares and pays on your clients' shares after the merger will be reportable to your clients for tax purposes, even though those distributions may include a portion of Pioneer Tax Free Income Fund's income and gains that were accrued and/or realized before the merger. Prior to the merger, PBF is expected to sell certain securities in its portfolio, including all of its non-municipal securities. The disposition of these securities will cause PBF to realize gains or losses in the current tax year. PBF will be able to offset any net gain from such securities dispositions with its available net capital loss carryovers, and any gain not so offset will result in a distribution that will be taxable to your clients. The fund anticipates, however, that there will be sufficient loss carryovers to offset any net gain recognized by PBF as a result of securities dispositions.

Auction Market Preferred Shares

PBF has issued Auction Market Preferred Shares ("AMPS") as a form of leverage, with the goal of paying higher dividends on the fund's common shares. Issuance of AMPS by PBF has been an effective strategy for the fund. However, the auction market for AMPS began to fail in mid-February 2008 and has continued to fail since that date. Consequently, AMPS are not currently liquid.

As a result of the auction failures, PBF now pays dividends on AMPS at a maximum rate. At present, the maximum rate remains lower than the earning rates provided by the fund's portfolio of securities. However, Pioneer Tax Free Income Fund does not use leverage in its investment strategy and as an open-end fund is not permitted to issue preferred shares. Consequently, if shareholders approve the merger, PBF will redeem all of its outstanding AMPS. In accordance with the provisions of the Statement of Preferences for AMPS, holders of AMPS will receive \$25,000 per share, plus an amount equal to accumulated but unpaid dividends thereon through the date fixed for redemption. The initial public offering price for AMPS was \$25,000 per share. Only common shares of the fund will be converted into Class A shares of Pioneer Tax Free Income Fund in the Merger.

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Timing

A combined proxy statement/prospectus is being furnished to shareholders of PBF in connection with the solicitation of proxies to be used at a special meeting of the shareholders of Pioneer Municipal and Equity Income Trust to be held at the offices of Bingham McCutchen LLP, One Federal Street, Boston, Massachusetts on September 11, 2008, at 2:00 p.m., Eastern Time. The Proxy Statement/Prospectus recently was mailed to shareholders of PBF.

The actual timing of the liquidation of the outstanding AMPS has not yet been determined. PBF will provide AMPS shareholders with advance notice of the redemption.

Holders of each of the fund's common shares and AMPS are entitled to vote on the merger. If approved, the merger currently is expected to occur on or about October 3, 2008.

Before investing, consider the product's investment objectives, risks, charges and expenses. Contact Pioneer Investments for a prospectus containing this information. Please read it carefully. To obtain a prospectus and for other information on any Pioneer fund, call 1-800-622-9876 or visit our website pioneerinvestments.com. Neither Pioneer, nor its representatives are legal or tax advisors. In addition, Pioneer does not provide advice or recommendations. You should consider your client's financial needs, goals, and risk tolerance before making any investment recommendations.

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